IFRS Financial Statements Presentation — Present and Future

The presentation aspects of financial statements are gaining more and more importance. A uniform presentation of financial statements over the years for the same entity and across entities for the same industry makes the financial statements comparable and more relevant to the users of financial statements by providing a feedback and predictive value. In India, Schedule VI to the Companies Act, Accounting Standards (AS) 1, *"Disclosure of Accounting Policies"* and AS 3 *"Cash Flow Statements"* deal with aspects of presentation of components of a complete set of financial statements. A draft of revised Schedule VI has been issued which is in line with requirements of IFRS as existed before the revision of IAS 1 in September 2007. This article discusses and explores the concept of IFRS financial statements presentation in present and future perspective.

CA. Manish Iyer

The author is a member of the Institute. He can be reached at eboard@icai.org

Under International Financial Reporting Standards (IFRS), IAS 1, *"Presentation of Financial Statements"* and IAS 7, *"Statement of Cash Flows"*, deal with aspects of presentation of components of a complete set of financial statements. A draft of revised Schedule VI has been issued which is in line with requirements of IFRS as existed before the revision of IAS 1 in September 2007. Recently, the International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) have in a joint project on Financial Statement Presentation issued a Discussion Paper on Financial Statement Presentation in which an entirely new presentation model has been proposed. It is heartening to note that the top level classification proposed in the Discussion Paper is more in line with the present Part I of Schedule VI. This article discusses the requirements of IAS 1 and IAS 7 in brief as they existed before revision, as they are at present, as they are proposed to be in the Discussion Paper on Financial Statement Presentation and where thought fit, with the requirements in the present Schedule VI and Draft of revised Schedule VI.

Why is Presentation Important

To know why presentation is important, we should know what the objective of financial reporting is. The Framework for the Preparation and Presentation of Financial Statements as issued by Institute of Chartered Accountants of India states that the objective of financial statements is to provide information to a wide range of users to help them make economic decisions. The users of financial statements as envisaged in the Framework are investors, employees, lenders, suppliers and other trade creditors, customers, government and their agencies and public at large. Financial statements that are issued to such a wide range of users are called general purpose financial statements. However, under IFRS the users of a general purpose financial report are limited. The Exposure Draft on an Improved Conceptual Framework to Financial Reporting states that the object of general purpose financial reporting is to provide financial information about the reporting entity to its present and potential equity investors, lenders and other creditors to help them take decisions in their capacity as capital providers. IAS 1 defines General Purpose Financial Statements as intended for those who are not in a position to demand tailored reports from the entity. Thus, the only source of financial information for such users is the entity's financial statements. Financial statements to be relevant to such users should provide feedback value and predictive value. The users gather these values from each individual item, subtotal or other parts of a financial statement differently. Thus, the way the financial statements are presented governs the way these values are obtained. Also, the way the financial statements are to be presented governs the way the information is collected and summarised by entities.

Components of Complete Set of Financial Statements

What constitutes a complete set of financial statements differs as per IFRS and as per Indian GAAP. Till its revision in September 2007, IAS 1 stated the following to be a complete set of financial statements (Comparisons with Indian GAAP are stated in brackets, where they differ):

1. Balance Sheet.
2. Income Statement (Profit and Loss Account).
3. Statement of Recognised Income and Expense or Statement of Changes in Equity (Profit and Loss Appropriation Account and Reserves and Surplus Schedule to the Balance Sheet).
4. Cash Flow Statements.
5. Notes.

In September 2007, IAS 1 was revised and was brought in line with US GAAP. As per the revised IAS 1, the following are the components of a complete set of financial statements:

Financial statements to be relevant to users should provide feedback value and predictive value. The users gather these values from each individual item, subtotal or other parts of a financial statement differently. Thus, the way the financial statements are presented governs the way these values are obtained. Also, the way the financial statements are to be presented governs the way the information is collected and summarised by entities.

1. Statement of Financial Position.
2. Statement of Comprehensive Income or a separate Income Statement showing components of Profit or Loss and Statement of Comprehensive Income showing components of other comprehensive income.
3. Statement of Cash Flows.
4. Statement of Changes in Equity.
5. Notes.
6. Statement of Financial Position as of the beginning of the earliest comparative period presented when an entity, during the reporting period –
   a. changes its accounting policy; or
   b. rectifies a prior period error; or
   c. reclassifies items.

IAS 1 does not prescribe any slabs for rounding off. IAS 1 specifies minimum line items to be shown on the face of the Statement of Financial Position. Further, sub-classifications and disaggregations may be provided either on the face or in the notes. An illustrative format of the Statement of Financial Position is given below (Minimum line items specified by IAS 1 are denoted as (M)):

X Ltd. Group –Balance Sheet as at 31st March, 2008 (in lakhs of Rs.)

	Note	2008	2007
ASSETS:			
Non-Current Assets:			
Property, Plant and Equipment (M)			
Other Intangible Assets (M)			
Investments in Associates (M)			
Investment Property (M)			
Biological Assets (M)			
Financial Assets (M)			
Total Non-Current Assets			
Current Assets:			
Inventories (M)			
Trade receivables (M)			
Cash and cash equivalents (M)			
Total Current Assets			
Total Assets			
LIABILITIES:			
Non-Current Liabilities:			
Long term borrowings			
Deferred tax liabilities (M)			
Long-term Provisions (M)			
Total Non-Current Liabilities			
Current Liabilities:			
Trade and other payables (M)			
Short-term borrowings			
Current portion of long term borrowings			
Current Tax Payable (M)			
Short term Provisions (M)			
Total Current Liabilities			
Total Liabilities			
EQUITY:			
Issued capital and reserves attributable to equity holders of the entity (M)			
Ordinary Shares			
Other Components of Equity			
Non-Controlling Interests (M)			
Total Equity			
Total Equity and Liabilities			

Other Minimum Line items:

- The total of assets classified as held for sale and assets included in disposal groups classified as held for sale.
- Liabilities included in disposal groups classified as held for sale.

Disclosures for share capital such as number of shares authorised, issued, paid-up, nominal value per share, the rights, preferences and restrictions attaching to each class of shares, shares reserved for issue under options, shares in the entity held by the entity or by its subsidiaries or associates, nature and purpose of each reserve and a reconciliation of the number of shares outstanding at the beginning and at the end of the period may be made on the face or in the notes or in the statement of changes in equity. Presentation of deferred tax assets and liabilities as current asset or current liability is prohibited. The above format is proposed to be changed completely in the Discussion Paper on Financial Statements Presentation issued jointly by IASB and FASB.

Statement of Comprehensive Income

In September 2007, IAS 1 was revised and the income statement and the statement of recognised income and expense were combined to make it a statement of comprehensive income. However, to allow time to get familiar with the new presentation, an option has been given to entities to present a separate income statement and a separate statement of comprehensive income. The Statement of Comprehensive Income begins with Profit after Tax and further adjusted for after tax effects of Actuarial gains and losses, effective portion of cash flow hedges, revaluation gains and losses, remeasurement of available for sale financial assets, etc. A further option is given to present the tax effect and reclassification effect of individual line items of comprehensive income either on the face or in the notes. An entity is required to classify its expenses in either function of expense or nature of expense format either on the face or in the notes. Disclosure of any item of income or expense as extraordinary is prohibited. Like in the case of Statement of Financial Position, IAS 1 specifies the minimum line items to be specified on the face of the income statement. Thus, many options are provided for presentation of Income Statement and these options tend to reduce comparability. The new presentation model proposes to remove all these options which are discussed later. The Draft of Revised Schedule VI requires function of expense method to be followed. Below is given the format of function of expense method of presentation *(Source: Rotork Plc. Annual Report 2007)*

In September 2007, IAS 1 was revised and the income statement and the statement of recognised income and expense were combined to make it a statement of comprehensive income. However, to allow time to get familiar with the new presentation, an option has been given to entities to present a separate income statement and a separate statement of comprehensive income.

	Notes	2007	2006
		£000	£000
Revenue	2	**235,688**	206,709
Cost of sales		**(127,748)**	(115,603)
Gross profit		**107,408**	91,106
Other income	4	**227**	98
Distribution costs		**(2,954)**	(2,287)
Administrative expenses		**(49,811)**	(43,735)
Other expenses	5	**(15)**	(93)
Operating profit	2	**55,387**	45,089
Financial income	7	**6,607**	5,568
Financial expenses	7	**(4,741)**	(4,596)
Profit before tax	8	**57,253**	46,061
Income tax expense	9	**(17,957)**	(14,728)
Profit for the year		**39,296**	31,333
		Pence	**Pence**
Basic earnings per share	17	**45.6**	36.4
Diluted earnings per share	17	**45.2**	36.1

In the next column is given the format of other comprehensive income items. The items are similar to what was reported in Statement of Recognised Income and Expense *(Source: Ricardo Plc. Annual Report 2007: Statement of Recognised Income and Expense converted to Statement of Comprehensive Income):*

		Group		Company	
	Notes	2007	2006	2007	2006
		£m	£m	£m	£m
Profit for the year		15.1	12.2	5.8	15.3
Currency translation differences on net investment in foreign operations		(1.5)	(0.2)	(1.1)	–
Fair value gain/ (loss on net investment hedges)		0.4	(0.4)	0.4	(0.4)
Actuarial gains on the defined benefit pension scheme		2.5	4.7	2.5	4.7
Total Comprehensive Income for the Period		**16.5**	16.3	**7.6**	19.6
Attributable to:					
Owners of the Parent		**16.4**	16.2	**7.6**	19.6
Non-controlling Interests		**0.1**	0.1	–	–

Statement of Changes in Equity

Statement of Changes in Equity is basically a statement showing reconciliation of opening and closing balance of each component of equity separately showing each movement therein. This information is given in the Schedule of Reserves and Surplus to the Balance Sheet as per Part I of Schedule VI to the Companies Act.

Statement of Cash Flows

IAS 7 deals with the presentation aspects of Statement of Cash Flows. In India, AS 3 deals with cash flow statement presentation. IAS 7 and AS 3 are mostly similar except that IAS 7 is flexible when it comes to presentation of interest expense and dividend cash outflows and require more disclosures in case of acquisition or disposal of subsidiaries. Both the standards require cash flows to be classified into operating, investing and financing activities. Both the standards provide an option to present cash flows from operating activities using either a direct method or an indirect method. Though both the standards including SFAS 95 in US GAAP prefer direct method, most entities follow an indirect method of presentation.

Proposed Presentation Model

The Discussion Paper on Financial Statement Presentation (DP)jointly issued by IASB and FASB proposes a totally new presentation model. The new model has been proposed in view of the criticism of the existing presentation, as under:

1. Information presented in different components of a set of financial statements is not cohesive. It is difficult to analyse an entity's performance independently of its capital structure. For this, the financial statement should distinguish its financing activities from its business activities. For example, the statement of cash flows requires cash flows to be classified into operating, investing and financing whereas neither the statement of financial position nor the statement of comprehensive income provides such classifications. Thus, it becomes difficult for a user to compare operating earnings with operating cash flows. The Exposure Draft on an Improved Conceptual Framework issued by IASB and FASB jointly identifies verifiability as one the enhancing qualitative characteristics. However, today's presentation lacks this quality.
2. Information presented is too much aggregated and there is no uniformity in disaggregation. For example, it becomes difficult for an analyst who wants to judge the trend in Operating Earnings between entities in an industry as the level of aggregation/disaggregation reported by those entities is not similar and, therefore, the extent of adjustments required tobe made also differ. This reduces compar-ability.
3. Too many alternative presentations are permitted which reduces comparability.
4. It is difficult to analyse the changes in assets and liabilities reported in income statement into accruals, cash flow and fair value remeasurements thereby reducing relevance of financial statement.

In view of the above criticisms the Discussion Paper proposes to establish the following as the objectives of financial statement presentation:

1. **Cohesiveness:** The information should be presented in financial statements in a manner that portrays a cohesive financial picture of an entity's activities.
2. **Disaggregation:** The information should be presented in financial statements in a manner that disaggregates information so that it is useful in assessing the amount, timing and certainty of an entity's future cash flows.
3. **Liquidity and financial flexibility:** Helps users to assess an entity's ability to meet its financial commitments as they become due and to invest in business opportunities.

To present a cohesive set of financial statements, the Discussion Paper on Financial Statement Presentation jointly issued by IASB and FASB requires an entity to align the line items, their descriptions and the order in which information is presented in the statements of financial position, comprehensive income and cash flows. It has been proposed to distinguish the financing activities from business activities in all the statements of financial position, comprehensive income and cash flows. The table on the next page summarises the new classification scheme proposed.

The statement of financial position seeks to separate its assets and liabilities into business and financing sections. Income taxes have been kept as a separate section as it is sometimes difficult to allocate the income tax expense to the various categories. A separate section for discontinued operations is to ensure that profit or loss from continuing operations is not mixed with discontinuing operations profit or loss. Equity is presented as a separate section.

Statement of Financial Position	Statement of Comprehensive Income	Statement of Cash Flows
Business	**Business**	**Business**

• Operating Assets and Liabilities
  • Long Term
  • Short Term
• Investing Assets and Liabilities
  • Long Term
  • Short Term
	• Operating Income and Expenses
	• Investing Income and Expenses
		• Operating cash flows
		• Investing cash flows

Financing	**Financing**	**Financing**

• Financing Assets
  • Long Term
  • Short Term
• Financing Liabilities
  • Long Term
  • Short Term
	• Financing asset income
	• Financing liability expense
	
	Profit/(Loss) from continuing operations before tax and other comprehensive income
		• Financing asset cash flows
		• Financing liability cash flows

Income Taxes	**Income taxes on continuing operations**	**Income Taxes**

• Current Tax Assets and Liabilities
  • Long Term
  • Short Term
• Deferred Tax Asset and Liabilities
  • Long Term
  • Short Term
	• Income tax expense	

	Net Profit/(Loss) from continuing operation	
Discontinued Operations	**Discontinued Operations** • Profit/(Loss) from discontinued operations • (Tax expense)/Benefit • Net Profit/(Loss) from discontinued operations	**Discontinued Operations**
	Net Profit/(Loss)	
	Other comprehensive income, net of tax	
	Total Comprehensive Income	
Equity		**Equity**

The proposed model thus seeks to achieve cohesiveness at the line item level. The hierarchy of classification is sections, categories, sub-categories and individual line items.

Statement of Financial Position

The statement of financial position seeks to separate its assets and liabilities into business and financing sections. Income taxes have been kept as a separate section as it is sometimes difficult to allocate the income tax expense to the various categories. A separate section for discontinued operations is to ensure that profit or loss from continuing operations is not mixed with discontinuing operations profit or loss. Equity is presented as a separate section as no item of income or expense reported in statement of comprehensive income pertains to equity. The business section has been defined as including those assets and liabilities that management views as part of its continuing business activities and changes in those assets and liabilities such as assets and liabilities related to transactions with customers, suppliers and employees. The categorization of assets and liabilities into operating and investing under business section is based on the principle of core and non-core activities. The proposed model adopts a management approach to classification. The classification of assets and liabilities into operating, investing and financing categories should reflect how the entity uses those assets and liabilities in its reportable segments. It should be noted that the definition of segment as per AS 17, *"Segment Reporting"* significantly differs from the definition as per IFRS 8, *"Operating Segments"*. AS 17 identifies segments on the basis of significantly differing risks and rewards whereas IFRS 8 identifies a segment as a group of assets and liabilities from which it may earn revenues and incur expenses, the performance of which is regularly assessed by the Chief Operating Decision Maker and for which financial information is available separately. All assets and liabilities including deferred tax assets and liabilities, except those assets and liabilities related to discontinued operations, are to be classified into short-term and long-term unless a presentation based on liquidity is more relevant. If an entity presents assets and liabilities on liquidity, it should present it either in increasing or decreasing order. Presently assets under Schedule VI are classified in increasing order of liquidity from top to bottom. An asset or liability is short-term if either its contractual maturity or its expected date of realization or settlement is within one year of the reporting date. Thus, an asset or liability classified as current need not necessarily be a short-term asset or short-term liability. This is because an asset or liability is classified as current on the basis of operating cycle. Even if operating cycles are longer than one year of the reporting date, the asset or liability is classified as current asset or current liability. However, as per DP, the asset or liability would be classified as long-term asset or long-term liability. Though the classification of assets and liabilities is no more on the basis of operating cycle, it is proposed that all entities having an operating cycle longer than one year should describe its operating cycle in the notes. Further, all entities are required to disclose the contractual maturities of all its long-term assets and those entities presenting classification of assets and liabilities in order of liquidity are required to disclose the contractual maturities of its short-term assets also. Cash is required to be presented under one category only. Cash equivalents should be separated from cash and classified as investing or financing assets. This is different from the present practice of reporting cash and cash equivalents in one line item. All similar assets and liabilities that are measured on different bases should be presented on separate lines in the Statement of Financial Position. For example, the Draft of Revised Schedule VI specifies Non-current investments as a separate line item on the face of the Balance Sheet. The disaggregation for this line item is presented in a separate schedule as Investment Property, Investment in Government

The new presentation model is a welcome step. The new presentation model falls in line with presentation specified in Part I of Schedule VI as far as the separate presentation of business and financing activities is concerned. However, the proposed presentation model relies on management approach to classification of assets and liabilities and the related changes in those items in the sections and categories in order to reflect the way an item is used within the entity or its reportable segment. This may reduce comparability.

Securities, and other investments. The bases of measurement for Investment Property and Investment in Government Securities differ and, therefore, should be presented in separate line on the face of the Balance Sheet.

Statement of Comprehensive Income

The Discussion Paper proposes to remove the option of presenting a separate income statement and a separate statement of comprehensive income by requiring all entities to present all items of income and expense under one statement of comprehensive income showing profit or loss for the year and total comprehensive income for the year separately. The profit or loss for the year is classified into income or expense / profit or loss from continuing operations and profit or loss from discontinued operations. Expenses are required to be classified on function of expense method. Within a function, the expense is to be disaggregated specifying its nature. The classification of income and expenses into operating, investing and financing should be based on the classification of related assets and liabilities.

Statement of Cash Flows

Though the classification of cash flows into operating, investing and financing remains the same, the cash flows to be reported under each classification will undergo a change. For example, purchases of fixed assets or property, plant and equipment are now treated as cash flows for investing activities. However, as per the new model since fixed asset would be classified as operating assets, the purchases and sales of fixed asset would be classified as operating cash flow. The proposed model specifies all statements of cash flows to be presented in direct method only. Also, cash equivalents are to be separated from cash. Thus, this would result in larger number of receipts and payments being reported. Further, the Discussion Paper requires an entity to disclose all relevant information about the significant non-cash activities. There is no consensus on presenting cash flows from business combinations. Two methods are proposed:

1. Allocation method whereby the cash flows are allocated to various categories on the basis of the categorization of assets and liabilities.
2. Classified in a separate section or category

Reconciliation Schedule

The Discussion Paper introduces a new component. Though it is termed as a reconciliation schedule to be presented in notes, it is in effect a separate component. The schedule reconciles cash flows to comprehensive income. Further, the schedule disaggregates comprehensive income into the following components:

1. Cash received or paid other than in transactions with owners.
2. Accruals other than remeasurements.
3. Recurring remeasurements.
4. Non-recurring remeasurements.

Below is given the proposed format of the reconciliation schedule.

XYZ Ltd.

Reconciliation of Consolidated Cash Flows to Consolidated Comprehensive Income for the year ended 31st March 20X0 (Rs. lakhs)

Caption in Statement of Cash Flows	Changes in assets and liabilities excluding transactions with owners				Statement of comprehensive Income	
	Not from remeasurements		From remeasurement			
	Cash flows (Rs.)	Accruals, allocations and others (Rs.)	Recurring valuation adjustments (Rs.)	All other (Rs.)	Comprehensive Income (Rs.)	Caption in Statement of Comprehensive Income (Rs.)

The Discussion Paper proposes two alternative models:

1. Statement of financial position reconciliation

XYZ Ltd.

Reconciliation of Statement of Financial Position March 31, 20X0 – March 31, 20X1 (Rs. lakhs)

Caption in Statement of Financial Position	March 31, 20X0 balance (Rs.)	Cash Flows (Rs.)	Caption in Cash Flow Statements	Changes in Assets and Liabilities			Statement of Comprehensive Income		Non Cash / Non Income (Rs.)	March 31, 20x1 balance (Rs.)
				Not from remeasurements	From remeasurements					
				Accruals, allocations & others (Rs.)	Recurring fair value changes	All others (Rs.)	Comprehensive Income (Rs.)	Caption in Statement of Comprehensive Income		

2. Comprehensive income matrix

XYZ Ltd.

Statement of comprehensive Income Matrix for the year ended 31, March, 20X0 (Rs. lakhs)

Statement of comprehensive Income		Changes in Assets and Liabilities excluding transactions with owners			
Caption in Statement of Comprehensive Income	Comprehensive Income (Rs.)	Not from remeasurements		From remeasurements	
		Cash Flows (Rs.)	Accruals, allocations and others (Rs.)	Recurring valuation adjustments (Rs.)	All others (Rs.)

Comments on the New Presentation Model

Following are the author's comments on the New Presentation Model proposed in Discussion Paper:

1. The new presentation model is a welcome step. The new presentation model falls in line with presentation specified in Part I of Schedule VI as far as the separate presentation of business and financing activities is concerned.
2. The Statement of Financial Position includes a section heading "Business". The definition of business in IFRS 3, "Business Combinations" includes financial assets and liabilities. Thus, if the section heading of business is pursued with, there would be different meanings of business in International Financial Reporting Standards. Also, the word business is subject to many interpretations. Moreover, to show a separate section for Income Taxes by not including it in business may suggest that the Income Tax assets and liabilities are not related to business. However, there is a constraint for including income taxes under business as the cohesiveness of financial statements at the line item level would not be maintained. Hence, instead of "Bus-iness", the section may be named by some other word(s) such as "Application of Funds". The Statement of Financial Position includes a section called equity. Equity is one of the elements of statement of financial position. All other elements of statement of financial position are stated within section and, therefore, equity should be stated within

section. Hence, instead of "Equity", the section may be named as "Owner sources of funds". The section named "Financing" may be renamed to "Non-Owner sources of funds". The presentation of financial statements may be as given below:

3. Statement of Financial Position	Statement of Comprehensive Income	Statement of Cash Flows

Application of Funds for Operations
• Operating Assets
  • Long-Term
  • Short-Term
• Operating Liabilities
  • Long-Term
  • Short-Term
• Total Operating Assets and Liabilities
	Application of Funds for Operations
	• Operating Income
	• Operating Expense
	• Total Operating Income and Expense
		Cash Flows for Application of Funds for Operations
		• Operating Asset
		  • Long-Term
		  • Short-Term
		• Operating Liability
		  • Long-Term
		  • Short-Term
		Total Cash Flows for Application of Funds for Operations

Application of Funds for Investments
• Investing Assets
  • Long-Term
  • Short-Term
• Investing Liabilities
  • Long-Term
  • Short-Term
• Total Investing Assets and Liabilities
	Application of Funds for Investments
	• Investment Income
	• Investment Expense
	• Total Investment Income and Expense
		Cash Flows for Application of Funds for Investments
		• Investing Asset
		  • Long-Term
		  • Short-Term
		• Investing Liability
		  • Long-Term
		  • Short-Term
		Total Cash Flows for application of Funds for Investments

Non-Owner Source of Funds
• Financing Asset
  • Long-Term
  • Short-Term
• Financing Liability
  • Long-Term
  • Short-Term
Total Non-Owner Sources of Funds
	Non-Owner Sources of Funds
	• Financing Income
	• Financing Expense
		Cash Flows from Non-Owner Sources of Funds
		• Financing Asset
		  • Long-Term
		  • Short-Term
		• Financing Liability
		  • Long-Term
		  • Short-Term
		Total Cash Flows from Non-Owner Sources of Funds

	Profit/(Loss) from continuing operations before tax and other comprehensive income	

Application of Funds for Income Taxes
• Current Tax Asset
  • Long-Term
  • Short-Term
• Current Tax Liability
  • Long-Term
  • Short-Term
• Deferred Tax Asset
  • Long-Term
  • Short-Term
	Application of Funds for Income Taxes on continuing operations
	• Income tax expense
		Cash Flows for Application of Funds for Income Taxes
		• Current Tax Asset
		  • Long-Term
		  • Short-Term
		• Current Tax Liability
		  • Long-Term
		  • Short-Term
		Total Cash Flows for Application of Funds for Income Taxes

• Deferred Tax Liabilities
  • Long-Term
  • Short-Term
Total Income Tax Assets and Liabilities		

	Net Profit/(Loss) from continuing operation	
Application of Funds for Discontinued Operation • Operating Asset • Operating Liability • Investing Asset • Investing Liability • Total Assets and Liabilities under Discontinued Operations	**Application of Funds for Discontinued Operations** • Profit/(Loss) from discontinued operations • (Tax expense)/Benefit • Net Profit/(Loss) from discontinued operations	**Cash Flows for Application of Funds for Discontinued Operations**
Total Application of Funds accruing to owners	**Net Profit/(Loss)**	**Total Cash Flows for Application of Funds accruing to owner**
	Other comprehensive income, net of tax	
	Total Comprehensive Income	
Owner Sources of Funds • Ordinary Share Capital • Other Components of Equity **Total Owner Sources of Funds**		**Cash Flows from Owner Sources of Funds** • Ordinary Share Capital • Other components of Equity Total Cash Flows from Owner Sources of Funds
		Net Increase/Decrease in Cash during the Reporting Period
		Balance of Cash as at the beginn--ing of the Reporting Period
		Balance of Cash as at the end of the Reporting Period

It may be noted that instead of "Business", the phrase "Application of Funds" provides more clarity. The above model shows perfect cohesiveness between Statement of Financial Position, Statement of Comprehensive Income and Statement of Cash Flows. The above model is based on the following relationship among elements of equity as stated in the Framework: Assets – Liabilities including non-owner sources of funds = Equity being owner sources of funds.

4. The proposed presentation model relies on management approach to classification of assets and liabilities and the related changes in those items in the sections and categories in order to reflect the way an item is used within the entity or its reportable segment. This may reduce comparability. Also, managements tend to change the use of an asset or liability.

5. The cash flows on account of business combination should be allocated on the basis of the relative fair values of assets and liabilities in a business combination. The disclosures in IAS 7 with regard to Business Combination would provide sufficient details needed for the same.

6. The reconciliation schedule reconciling cash flows to statement of comprehensive income may be made mandatory and the reconciliation of statement of financial position be made recom-mendatory in addition to the schedule reconciling cash flows to comprehensive income.

7. The Framework recognises cost-benefit criterion as one of the constraints to quality financial statements. Thus, the Boards have to consider this element before prescribing the new model.