

## International Association of Consultants, Valuators and Analysts

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30 November 2012

Financial Accounting Standards Board  
401 Merritt 7, PO Box 5116  
Norwalk, Connecticut 06856-5116  
By email: [director@fasb.org](mailto:director@fasb.org)  
File Reference No. 2012-220

Madam, Gentlemen,

This letter of comment is submitted on behalf of the International Association of Consultants, Valuators and Analysts (IACVA), a member of the International Valuation Standards Council (IVSC) and the World Association of Valuation Organizations (WAVO). We are a knowledge transfer and credentialing organization with about 10,000 members practicing in the 55 countries, listed in Appendix A, mainly involved in business valuation and fraud deterrence.

As a worldwide organization, we are extremely concerned with the development of the accounting standards related to valuation especially in Canada (an IFRS country), where we are incorporated, as well as in the United States, which has, at the moment, a majority of our members.

We appreciate the opportunity to comment on the FASB Discussion Paper (DP) "*Disclosure Framework*". This document deals with Notes for the financial statements. Those are an important but not complete part of the corporate financial information required by lenders, investors and valuers. We believe that the required disclosures should cover six related reporting documents: financial statements (of Operations, Comprehensive Income, Cash Flows and Financial Position) Notes to them and Management's Discussion & Analysis (MD&A). All of those should be integrated with the information only having to be set out once and in the same structure for each set. The idea is to the effort incurred by many organizations such as Standard & Poors, in adjusting reported information so that it is set out in a standard format in their databases.

We strongly believe that high quality risk disclosure for publicly traded entities is a collective public good give the systematic importance of the US financial markets (both for equity and debt instruments) to industry and the general public mainly in the United States but also in many other countries. The generally accepted concept in the financial community is that the objective of financial reporting is to provide sufficient information to allow users to make supportable investment and credit decision. Those are normally based on implicit or explicit projections of an entity's inflows and outflows of economic

resources (normally cash). The Board appears to accept this concept, IACVA endorses it.

The DP outlines a disclosure framework based on the premise that excessive disclosure is burdensome to reporting entities, and can result in users overlooking important information. In our view, there cannot be “excessive” disclosure if everything is reported in a suitable framework and the degree of importance varies with the nature of the user rather than the views of the issuer.

To assume a user is a sophisticated individual who is aware of US GAAP, general business risks, economic conditions in every nation in which the enterprise operates, commonly used asset pricing models and SEC reporting requirements is excessive. Many experienced valuers or even financial analysts do not satisfy this condition. We believe that financial statements, notes and the MD&A should be written in plain language oriented to high school graduates who purchase shares occasionally.

At least one of the documents should include explanations of both period to period changes and longer term (3- to 5-year) trends in items such as: revenues, gross profits and sales & marketing costs for each product line or geographical area. Such analyses should separate the impact of economic, seasonal, routine, entity-specific and accounting factors.

We recommend that there be no maximum limits to disclosures and that preparers should be required to conform to universal definitions of line items which are disclosed in the Notes. We do not believe there is much irrelevant disclosure under current GAAP.

Our responses to the specific Questions for Respondents are as follows:

#### Chapter 1—Scope and Introduction

**Question 1:** The details of this Invitation to Comment do not focus on the informational needs of donors to not-for-profit organizations. How, if at all, should the Board’s decision process (see Chapter 2) be supplemented to consider the needs of donors? How, if at all, should not-for-profit reporting entities modify their decision-making process (see Chapter 4) for the needs of donors when deciding which disclosures to include in notes to financial statements?

Our view is that the maxim “if in doubt disclose” should be applied at all times. Complaints of information overload are often generated by users who do not have suitable models (often trend and ratio based) to successfully analyze all the data that is available.

For not-for-profit organizations, of which IACVA is an example, the Statement of Cash Flows is usually the single most important document. This should normally identify in the Notes, the principle donors of both cash and gifts-in-kind and the major projects on which resources have been spent. In addition, it is often helpful to summarise the amount of “sweat equity” involved in each project as well as the payments incurred. In general, the major needs of donors relate to governance and reporting how and why their gifts were used in a particular fashion.

## Chapter 2—The Board’s Decision Process

**Question 2:** Do the decision questions in this chapter and the related indicated disclosures encompass all of the information appropriate for notes to financial statements that is necessary to assess entities’ prospects for future cash flows?

Our comments on the 27 separate decision questions set out in this chapter are as follows:

**Question G1. Do the financial statements reflect transactions, balances, or other contractual relationships with related parties on terms that could be different from arm’s-length transactions and contracts with third parties?**

### Information to Be Considered for Disclosure

The information to be considered would include the following:

- a. Nature of the transaction(s), balance(s), or contract(s)
- b. If possible, a general indication of the magnitude of the effect on the financial statements of the difference between the actual transactions, balances, and contracts, and the amounts that would have been reported for arm’s-length transactions, balances, and contracts in the aggregate
- c. Any unique or highly unusual aspects of the transaction(s), balance(s), or contract(s) that would affect an assessment of the entity’s prospects for future cash flows.

All the information listed in items a, b and c following question G1, should be disclosed, when relevant.

**Question G2. Does the reporting entity issue consolidated financial statements?**

### Information to Be Considered for Disclosure

The information to be considered would include the following:

- a. General or specific information about the entities included in the consolidated financial statements
- b. Comparison to the group of entities in the previous years’ consolidated financial statements, if there are any changes in the consolidated members in the current reporting period
- c. Consolidation policies and procedures, including the reasons for consolidating entities, and elimination of intercompany transactions and balances, if any.

All entities should issue consolidated financial statements covering the complete enterprise (including all subsidiaries and related variable interest entities). The information set out in items a, b and c in the section below question G2, is essential as are indications of the size of the eliminations. Often consolidating statements are helpful.

**Question G3. Are there restrictions on the entity’s use of assets and potential concerns about the entity’s cash flows that are not otherwise apparent from the financial statements?**

### Information to Be Considered for Disclosure

The Board should consider requiring disclosure of the following:

- a. Description of restrictions on the uses of assets
- b. The amount of cash and other liquid assets available to meet anticipated cash requirements
- c. Description of plans or strategies to deal with any concerns about shortfalls
- d. Descriptions of commitments made or planned uses for a cash balance.

Again the information in items a, b and c in the section following question G3 should be disclosed.

**Question G4. Does the entity operate different types of businesses in different geographic areas or in other segments that are managed separately?**

**Information to Be Considered for Disclosure**

The Board should consider requiring disclosure of the following:

- a. Description of the entity's segments
- b. The markets or geographic locations in which the entity operates.

Most enterprises (which normally comprise numerous consolidated entities) operate more than one product line or business and have activities in different geological or economic areas (for example, Texas and Florida or on a larger scale, the United States and China). The information in items a and b, in the section following question G4 should be disclosed in detail (sales, gross profit, contribution) separating out every line of business in each geographical or economic area. This is one of the most important set of disclosures for valuation purposes.

**Question L1. Is there information about the nature or quality of the phenomenon or phenomena represented by the line item (for example, the underlying rights, obligations, or transactions) that can affect assessments of future cash flow prospects<sup>4</sup> and that is not adequately conveyed by the line item's description?**

See paragraphs 2.8–2.9 for important information about this term.

**Information to Be Considered for Disclosure**

The Board should consider requiring disclosure of the following:

- a. Enough information (normally narrative instead of quantitative) about the phenomenon or phenomena so a user may access reference materials or other sources of information to understand the phenomenon or phenomena<sup>20</sup>
- b. If a user could not reasonably be expected to find adequate information from other sources, an explanation of the nature of the phenomenon in enough detail to provide an understanding of how the item might affect prospects for future cash flows.

It would be helpful for the Board to standardize the contents of major line items so that comparisons between entities or enterprises deal with 'apples and apples' rather than 'apples and oranges' or even "kiwis and bananas". An example is "cost of sales" which may or may not include interest and depreciation charges on the property, plant and equipment devoted to producing the relevant items.

The information required in answers to this question should be inclusive, adding quantitative information to the recommended qualitative disclosure when it is reasonably easily available.

**Question L2. Does the line item represent any of the following:**

- a. Financial instruments
- b. Other contracts or legally binding documents
- c. Other binding arrangements?

**Information to Be Considered for Disclosure**

The Board should consider requiring disclosure of the following:

- a. Terms (obligations and rights) needed for assessment of prospects for future cash flows. Some examples are amounts and timing of payments and receipts, interest rates, and the nature and timing of other required performance, call or put options, and penalty or bonus clauses.
- b. If the item is an asset, the likelihood of the risk of counterparty nonperformance (credit risk or failure to deliver other assets or services) at the date of the financial statements.
- c. The potential effect on the financial statements of the reporting entity of counterparty nonperformance.
- d. The potential effect on the financial statements of the reporting entity of the entity's nonperformance.

- e. The estimated amounts and timing of future cash flows that are contractually required, but whose amounts and timing are not contractually specified.
- f. The estimated amounts and timing of future cash flows that are not contractually specified but that are anticipated or otherwise probable (for example, based on past history or economic incentives).

The information in items a to f should always be supplied for groupings of similar items when appropriate.

**Question L3. Is the existence or ownership of the rights and obligations underlying the line item uncertain?**

This question is different from the uncertainty question related to measurement (see Question L9) in that it does not relate to uncertainty about outcomes but to uncertainty about whether an asset or liability exists or is owned or owed by the entity.

It is essential for an investor, lender or valuator to know if every asset or liability recorded in the financial statements actually exists and which are owned or owed by the entity.

**Question L4. Does the line item include components of different natures that could affect prospects for future net cash flows differently?**

There are many examples of line items that contain different components, and not all would necessarily affect prospects for future cash flows differently. Some include the following:

- a. A portfolio of financial instruments of different types
- b. Inventories of different types of products or of raw materials, work in process, or finished goods
- c. Revenues from different products or services whose sales are not correlated
- d. Pension expense on the income statement, which includes service cost, interest expense, return on assets, and amortizations of prior service costs and actuarial gains and losses
- e. Real estate that includes apartment buildings, malls, and office buildings.

The following are examples of indications that components affect prospects for future cash flows differently:

- a. Different frequency or timing of occurrence
- b. Different probabilities of repeating
- c. Responses to different variables or different responses to the same variables
- d. Different rates of return expected.

The amounts and nature of the components referred to above should always be disclosed.

**Question L5. Are the cash flow prospects related to the line item affected by changes in general economic conditions or market factors, and are the conditions, factors, or likely effects on the line item not apparent from the nature of the line item?**

**Information to Be Considered for Disclosure**

The Board should consider requiring disclosure of the following:

- a. A description of the types of changes in future economic conditions or market factors that could be expected to cause frequent or significant changes (for example, interest rates, stock prices, and foreign currency rates; housing starts, unemployment, and inflation)
- b. An indication of how changes in those factors would affect the prospects for cash flows arising from the line item
- c. A general description of the policies, practices, and strategies that could mitigate the effects of the changes in conditions or factors
- d. An indication of the past effectiveness of the policies, practices, and strategies.

The information listed in items a to d following the question should be disclosed in sufficient detail to allow the user to understand its significance.

**Question L6. Are the prospects for future cash flows related to the line item affected by changes in entity-specific factors or sector-specific factors, particularly those that can be expected to change frequently or significantly, and would a user not be expected to be aware of the factors or their potential effects?**

Examples include volatile demand for the entity's products or services, social factors affecting the sector or entity, imminent obsolescence, supply chain concerns, new laws and regulations, availability of trained workers, management turnover, or environmental hazards.

#### Information to Be Considered for Disclosure

The Board should consider requiring disclosure of the following:

- a. A description of the entity-specific factors or sector-specific factors that could be expected to cause frequent or significant changes
- b. An indication of the effects on the line item of changes in those factors
- c. A general description of the policies, practices, and strategies that could mitigate the effects of the changes in conditions or factors
- d. An indication of the past effectiveness of the policies, practices, and strategies.

The information in items a to d should be disclosed together with detail of any impacts during the past 12 months.

**Question L7. If the line item is an asset, liability, or equity instrument, could the causes of changes from the prior period be generally understood?**

#### Information to Be Considered for Disclosure

The Board should consider requiring disclosure of the causes of changes from the prior period (such as major inflows and outflows summarized by type or a detailed roll forward). It would be important to separate routine changes from nonroutine changes and changes in reported amounts caused by changes in accounting, changes in economic conditions, and changes in contractual obligations or rights.

All the information referred to in the section below the question should always be disclosed.

**Question L8. If the item is a productive asset or intellectual property, has the quality or utility of the item changed?**

This disclosure is related to measurement but is not strictly a measurement issue. Some productive assets are carried at amounts that are not closely related to their current values and do not change in relation to those values. For example, a building with a carrying amount that is being depreciated may actually be appreciating in value and its cash flow generating potential may be increasing.

#### Information to Be Considered for Disclosure

The Board should consider requiring a description of the nature of the change and how that change could affect prospects for future cash flows. The objective of this disclosure would be to provide information not signaled or indicated by accounting and reporting. For example, the carrying amounts of depreciable assets may systematically decline in a way that masks a change in utility or value. The asset may have been depreciated at a rate that exceeds the rate at which its economic value has declined. Therefore, a technological change that causes it to become significantly less valuable in a single year may not require an impairment write-down. That change in economic value is the kind of thing contemplated by this disclosure.

All the information set out in the section following the question should be disclosed together with the related fair values if such information is reasonable easily available.

**Question L9. Does the line item include individual items (or groups) that are measured differently?**

This information is not the same as the information addressed by Question L7 because differences in measurement may exist for very similar or identical items. Two items measured the same way may have different responses to changes in market conditions.

**Information to Be Considered for Disclosure**

The Board should consider requiring disclosure of descriptions, carrying amounts, and measurement methods of the items or groups measured differently.

*Note:* The Board could consider a general requirement for the disclosure instead of establishing separate requirements in each area of the Codification.

All the information in the section following question L9 should be disclosed.

**Question L10. Are there acceptable alternative accounting policies or methods that might have been applied to this line item?**

**Information to Be Considered for Disclosure**

The Board should consider requiring disclosure of the following:

- a. The accounting policy or method applied
- b. The magnitude of the effect if the accounting method is unusual, if results produced are counter to what a reader might otherwise expect (for example, last-in, first-out inventory costing), or if the method otherwise dramatically affects the financial statements (full cost versus successful efforts).

The information in items a and b should be disclosed.

**Question L11. Does the line item include balances or the effects of transactions or events that either:**

- a. Are not addressed by directly applicable reporting requirements**
- b. Are not clearly analogous to other transactions or events for which there is applicable guidance?**

**Information to Be Considered for Disclosure**

The Board should consider requiring disclosure of the following:

- a. Nature of the transactions or events and the method of accounting applied to them
- b. If applicable, uncertainties related to recognition or measurement or both
- c. Any unique or highly unusual aspect of the transaction or event that would affect an assessment of the entity's prospects for future cash flows.

The information in items a to c should be disclosed, with experienced emphasis on item b.

**Question L12. Has the accounting policy or method used for this line item changed because of adoption of or transition to newly issued guidance or because the previous method was determined to be improper?**

**Information to Be Considered for Disclosure**

The Board should consider requiring disclosure of the following:

- a. The fact that a change has occurred
- b. The reason(s) for the change
- c. How the change would have affected previous years (preferably) or, if that is not feasible, how the previous method would have produced different information this year.

The information in items a to c should be disclosed.

**Question L13. Will this line item be affected in future years by transition to an accounting standard that has been issued but that is not yet effective or not fully effective?**

**Information to Be Considered for Disclosure**

The Board should consider requiring disclosure of the following:

- a. When the transition will occur
- b. A description of the anticipated effect on future financial statements
- c. The pro forma effect on current-year financial statements.

The information in items a to c should be disclosed.

**Question L14. Is the method for determining the amount of the line item uncommon, not apparent from the description, or otherwise hard to discern?**

**Information to Be Considered for Disclosure**

The Board should consider requiring an explanation of how the amount of the line item was determined (for example, an option pricing model, a matrix pricing technique, or an internally developed technique).

However, if the computation is unique or unusual but prescribed in an accounting standard (such as the way of determining deferred taxes or uncertain tax positions), disclosure might be unnecessary if the line-item description is adequate to indicate the accounting requirement that is applied.

An explanation of how the amount of each line item, for example materials, labour, overhead for the cost of manufactured items, was calculated is essential even if it is specifically prescribed in an accounting standard.

**Question L15. Is the carrying amount of the line item an estimate that required assumptions, judgments, or other internal inputs that could reasonably have been different?**

This question is not limited to fair value or other estimates of current value. At times, accumulations of costs involve uncertainties (about which costs to include, for example), and impairment allowances not based on quoted market prices are nearly always subject to significant uncertainties.

All available information about decisions that could reasonably have been made differently, including their effect on the reported conclusion, should be disclosed.

**Question L16. Is there an alternative measure or way of applying a measurement that clearly would be useful in assessing prospects for future cash flows?**

An alternative measure might be considered for an asset or a liability. One example is the fair value of a financial instrument reported at a cost-based amount. Another example is an impairment allowance for inventory assessed in the aggregate that might be different from an item-by-item assessment.

**Information to Be Considered for Disclosure**

The Board should consider requiring disclosure of the following:

- a. Identification of the alternative measurement or method of application
- b. An indication of the magnitude of the difference between the reported measurement and the alternative measurement (or the amount of the alternative measurement).

The information in items a and b should be disclosed.

**Question O1. Have any of the following events or conditions created a possibility that net cash flows that the entity would otherwise have experienced will be significantly different (lower or higher):**

- a. Potential litigation against the entity or by the entity against another entity or entities (because of specific matters instead of general business risk)
- b. Existing litigation against the entity or by the entity against another entity or entities, the outcome of which is still uncertain

**c. Possible or known violations by the entity of laws, regulations, or contractual terms or violations of the entity's rights under statutes, regulations, or contracts**

**d. Other uncertain conditions?**

**Information to Be Considered for Disclosure**

The information to be considered would be the following:

- a. The existence and description of the event or condition
- b. Whether the effect of the event or condition would involve the entity's routine and frequent business activities or would have an infrequent or one-time effect on cash flows
- c. Whether the event or condition itself is unique or infrequent or is routine or frequent
- d. The entity's judgment about the magnitude of the possible effect on future cash flows as a point estimate of the most likely outcome, as a probability-weighted outcome, or as a range of possible outcomes
- e. The entity's judgment about the probability that the event or condition will affect future cash flow prospects.

The information in items a to e of the paragraph following question O1 should be disclosed.

**Question O2. Are there other events or conditions that are not represented by an asset or liability and a gain or loss (or income or expense) in the entity's financial statements but about which there was uncertainty in the decision not to recognize? (That would include items other than the contingencies discussed in Questions O1(a) and O1(b).)**

**Information to Be Considered for Disclosure**

The information to be considered would be the following:

- a. The existence and description of the event or condition
- b. Uncertainties that were assessed in deciding not to recognize an asset or liability and gain or loss (income or expense) and the reason for that decision
- c. Whether events or conditions of the same type are routine and frequent or would have an infrequent or one-time effect on cash flows
- d. Whether the event or condition itself is unique or infrequent or is routine or frequent
- e. The entity's judgment about the magnitude of the possible effect on future cash flows as a point estimate of the most likely outcome, as a probability-weighted outcome, or as a range of possible outcomes
- f. The entity's judgment of the probability

The information in items a to f in the paragraph following question O2 should be disclosed.

**Question O3. Could future loss of or deterioration in the relationship with one or a few customers or suppliers significantly affect an entity's future cash flows?**

**Information to Be Considered for Disclosure**

The information to be considered would be the following:

- a. The fact that the entity is dependent on one or a few customers or suppliers and an indication of the degree of dependence
- b. A judgment of the prospects for losing the customers or suppliers
- c. An explanation of actions the entity has taken to mitigate potential effects from the deterioration of a relationship with a supplier.

The information in items a to c should be disclosed.

**Question O4. Could the entity's future cash flows be subject to significant positive or negative changes because of volatility or other uncertainty in volumes or prices in the markets for the entity's inputs or outputs?**

**Information to Be Considered for Disclosure**

The information to be considered would be the following:

- a. Possible cause of the volatility or other uncertainty in inputs or outputs markets

- b. The worst-case effect on the financial statements of volatility in inputs and outputs markets.

The information in items a and b should be disclosed.

**Question O5. Is there uncertainty in an entity's access to the markets for its inputs or outputs (whether resolution of the uncertainty would result in increased or decreased access)?**

**Information to Be Considered for Disclosure**

The information to be considered would be the following:

- a. The existence and possible causes and effects of the uncertainty about restrictions in access to inputs and outputs markets
- b. The potential effects on the financial statements of significant access restrictions to inputs and outputs markets
- c. How the entity plans to mitigate adverse financial statement effects arising from restrictions to its access to inputs and outputs markets.

The information in items a to c should be disclosed.

**Question O6. Is there significant uncertainty about an entity's ability to maintain a qualified work force and suitable physical facilities (whether resolution of the uncertainty would result in increased or decreased ability)?**

**Information to Be Considered for Disclosure**

The information to be considered would be the following:

- a. The existence and causes of the significant uncertainty to maintain a qualified work force and suitable physical facilities
- b. The potential effects of that uncertainty on financial statements
- c. How the entity plans to mitigate adverse financial statement effects arising from the significant uncertainty about maintaining a qualified work force or suitable physical facilities.

The information in items a to c should be disclosed.

**Question O7. Could an entity's possible future cash flows be subject to significant changes because of the effects of possible future changes in the following:**

- a. Interest rates
- b. The entity's ability to obtain financing
- c. Foreign currency exchange rates
- d. Commodity prices (whether exchange-traded or not) or volumes
- e. Stock market prices or volumes
- f. Other financial market prices or market conditions?

**Information to Be Considered for Disclosure**

The information to be considered would be the following:

- a. An explanation of the macroeconomic factor(s) that affect particular assets, liabilities, or equity instruments
- b. The potential effects of changes in the macroeconomic factors on the assets, liabilities, and equity instruments and on net income and other comprehensive income.

The information in items a and b should be disclosed together with examples of particular impacts.

The answers to those 27 questions (G1 to G4, L1 to L16 and O1 to O7) forming part of Question 2, should be set up in the form of a disclosure template so that a preparer can fill in the necessary details or (rarely) indicate Not Applicable.

**Question 3:** Do any of the decision questions or the related indicated disclosures identify information that is not appropriate for notes to financial statements or not necessary to assess entities' prospects for future cash flows?

We do not believe there is any information that is not appropriate to be disclosed in the Notes to the Financial Statements.

**Question 4:** Would these decision questions be better applied by reporting entities instead of the Board? In other words, should the Board change its practice of establishing detailed requirements in each project and, instead, establish a single overall requirement similar to the questions in this chapter?

We recommend that the Board establishes a template for such disclosures similar to that mentioned at the end of our answer to Question 2.

**Question 5:** Do you think that this decision process would be successful in helping the Board to set more effective disclosure requirements? If not, what would be a better approach? The Board would appreciate it if respondents would apply this decision process to the *FASB Accounting Standards Codification*® Topics of their own choosing and identify any changes to existing disclosure requirements that would seem to result.

We believe that the decision process set out in the DP is suitable for its purpose.

### Chapter 3—Making Disclosure Requirements Flexible

**Question 6:** Would any of the possibilities in this chapter (see paragraphs 3.8 and 3.11) be a practical and effective way to establish flexible disclosure requirements?

We do not believe in flexible disclosures but in making every item available at each reporting date so that users may assess each item over time and in relation to benchmarks.

**Question 7:** If more than one approach would be practical and effective, which would work best?

As mentioned previously, we recommend disclosure templates such as those used successfully by many legal firms for SEC filings.

**Question 8:** Are there other possibilities that would work better than any of the ones discussed in this chapter?

See answer to question 7.

### Chapter 4—Reporting Entities' Decisions about Disclosure Relevance

**Question 9:** This chapter attempts to provide a benchmark for judgments about disclosure relevance by clarifying the objective for the judgments. Is the description of the approach clear enough to be understandable? If not, what points are unclear?

We do not believe preparers' choices about disclosure relevance are helpful. Our attitude is 'just the facts ma'am'. We disagree with the Board's statement "The magnitude of an effect on users' assessments of cash flow prospects is not quantifiable." This may or may not be true depending on circumstances. The effect for many valuations can be quantified by option pricing models or other similar techniques. If it can be quantified, a calculation (not computation) of the possible impact should be included.

**Question 10:** Can this approach (or any approach that involves describing the objective for the judgments) help identify relevant disclosures? If so, what can be done to improve it? If not, is there a better alternative? What obstacles do you see, if any, to the approach described?

See answer to question S7 and S9.

**Question 11:** Reporting entities would need to document the reasons for their decisions about which disclosures to provide. How would reporting entities document the reasons for their disclosure decisions and how would auditors audit those decisions?

The Board asks that respondents help assess the practicality of the possible guidance in this chapter and its potential for improving disclosure effectiveness by applying it to some or all of the notes in their prior period financial statements. Please provide information about the results of that test that is as specific as possible.

If there is to be full disclosure, no documentation is needed with respect to its relevance which often is a subjective, rather than an objective decision.

#### Chapter 5—Format and Organization

**Question 12:** Would any of the suggestions for format improve the effectiveness of disclosures in notes? If so, which ones? If not, why not?

We believe the effectiveness of disclosures (on the face of financial statements, in the Notes or in the MD&A) is enhanced by the same information being set out on a uniform basis for all entities. Only in that way can reasonable comparisons be made between a subject reporting entity and suitable guideline entity's with respect to changes in the operations, financial position and general outlook.

**Question 13:** What other possibilities should be considered?

See answer to Question 12 and our comments on disclosure templates at the end of Question 2.

**Question 14:** Do any of the suggested methods of organizing notes to financial statements improve the effectiveness of disclosure?

As mentioned in the first paragraph of this letter, IACVA members are concerned with not only US GAAP but also IFRS, as well as a number of the national GAAPs. We suggest that the Board follows the example of IAS 1:114 and establishes a requirement similar to that set out in that document. In general, for disclosure, we prefer a template rather than the current use of customized irregular formats.

**Question 15:** Are there different ways in which information should be organized in notes to financial statements?

See answer to Question 13.

#### Chapter 6—Disclosures for Interim Financial Statements

**Question 16:** Do you think that any of the possibilities in this chapter would improve the effectiveness of disclosures for interim financial statements?

In general, we see no reason why most of the information required for year-end statements, should not be supplied on an interim basis albeit in less detail, as most of the data will have been generated.

**Question 17:** If you think that a framework for the **Board's** use in deciding on disclosure requirements for interim financial statements would improve the effectiveness of interim reporting, what factors should the Board consider when setting disclosure requirements for interim financial statements?

See answer to Question 16.

**Question 18:** If you think that a framework for **reporting entities'** use in deciding on disclosures for interim financial statements would improve the effectiveness of interim reporting, what factors should reporting entities consider when providing disclosures for interim financial statements?

See answer to Question 16.

**Question 19:** What impediments do you see regarding the development of a framework for the Board, reporting entities, or both that addresses disclosures for interim financial statements?

We see no obstacles to the Board creating a disclosure framework covering all four financial statements, their Notes and the MD&A and would encourage that effort.

#### Chapter 7—Other Matters for Discussion

**Question 20:** Would the change to the requirements described in paragraph 7.8 for disclosure of the summary of accounting policies improve the effectiveness of disclosure?

In general we recommend explicit rather than implicit disclosure; difficulties arise when the reader has to guess what decisions were made and why.

**Question 21:** Should the summary of accounting policies include information about industry-specific accounting policies?

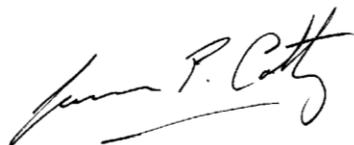
All disclosures should include industry specific information when appropriate; which is nearly always the case.

**Question 22:** Are there other required disclosures that could be modified or eliminated in the short term that would result in a significant reduction in the volume of notes to financial statements?

We are not aware of any additional required disclosures that should be modified rather than standardized.

Should a Board or staff member wish to discuss this matter further, you may contact me from 9:30 am to 5:00 pm Eastern Time at 416-865-9766.

Respectfully submitted  
Per

A handwritten signature in black ink, appearing to read "James P. Catty". The signature is written in a cursive style with a horizontal line underneath.

James P. Catty, MA, CA•CBV, CPA/ABV, CVA, CFA, CGMA, CFE  
Chair

## ***Appendix A – List of Countries with IACVA Members***

Argentina	Latvia
Armenia	Lebanon
Australia	Lithuania
Austria	Malaysia
Azerbaijan	Mexico
Bahamas	Moldova
Bahrain	Netherlands
Belarus	Nigeria
Brazil	Philippines
Canada	Puerto Rico
China	Romania
Egypt	Russia
Estonia	Saudi Arabia
France	Singapore
Georgia	South Africa
Germany	South Korea
Ghana	Switzerland
Grenadine Islands	Syria
Guatemala	Taiwan
Hong Kong	Tajikistan
India	Thailand
Ireland	Turkey
Israel	Turkmenistan
Japan	United Arab Emirates
Jordan	Uganda
Kazakhstan	Ukraine
Kenya	United Kingdom
Kuwait	United States
Kyrgyzstan	Uzbekistan