

FASB In Focus

Conceptual Framework for Financial Reporting: Chapter 7: Presentation

A Proposed Concepts Statement that Addresses the Presentation of Information in Financial Statements

Overview

The Financial Accounting Standards Board (FASB) on August 11, 2016 issued for public comment a proposed chapter of the FASB's Conceptual Framework for Financial Reporting related to presentation. Presentation refers to the display of line items, totals, and subtotals on the financial statements.

The Exposure Draft, *Conceptual Framework for Financial Reporting: Chapter 7: Presentation*, describes proposed concepts related to presenting information about items that have been recognized in a financial statement. The proposal is intended to provide the Board with a framework for developing standards that summarize and communicate information on financial statements in a way that best meets the objective of financial reporting. Ultimately, it will become a basis for the Board when creating presentation requirements in future standards.

Stakeholders are encouraged to review and provide comments on the proposed chapter by November 9, 2016.

Why is the FASB Issuing This Exposure Draft?

Concepts Statement 5, Recognition and Measurement in Financial Statements of Business Enterprises, addresses—among other things—recognition, measurement, and certain concepts for presentation of information on the face of financial statements. The Board concluded that

the discussion of presentation could be further developed and improved with the objective of providing a foundation for future standards that enhance financial statement users' abilities to assess prospects for future cash flows by addressing how to:

- Group individual recognized items into line items and subtotals

Considerations in determining financial statement line items and individual items to include in each:

- | | | |
|--|---|---|
| <ul style="list-style-type: none"> • Event that caused an item to be recognized • Activity with which an item is associated • Similarities and differences in frequency | } | Tend to be more useful in grouping items in comprehensive income and cash flows |
| <ul style="list-style-type: none"> • Expected time until realization/settlement of asset or liability • Expected form of realization/settlement of an asset, liability, or equity instrument | } | Relate to assets and liabilities |
| <ul style="list-style-type: none"> • Types of changes in economic conditions that can affect the cash flows • Similarities and differences in measurement methods | } | Relate to line items in comprehensive income and assets and liabilities |

- Clarify the relationships among an entity's assets, liabilities, and equity, and the effects of related changes of those assets and liabilities on comprehensive income and cash flows.

The proposal will help the FASB make consistent decisions when determining how to present information in the financial statements.

What Are the Main Components of the Proposal?

The Exposure Draft discusses information that should be considered when determining how recognized items should be displayed in financial statements. The proposal first describes the information provided by the financial statements and then addresses how the display of information in the financial statements best meets the objective of financial reporting.

How Would the Board Use the Chapter Once It Is Final?

This proposed chapter is similar to the rest of the FASB's Conceptual Framework for Financial Reporting in that it would establish concepts for the Board to use in developing standards of financial accounting and reporting. In particular, this chapter would provide the Board with a framework for developing standards that summarize and communicate information in financial statements in a way that enhances the relevance of the information and helps ensure that it is faithfully represented.

This proposed chapter of the Conceptual Framework would identify factors for the Board to consider when deciding how items should be displayed in the financial statements. Once appropriate factors are identified, the Board would assign priority to the factors based on the item

being evaluated for presentation purposes. The priority of the factors would be determined in the context of best meeting the objective of financial reporting.

The proposal does not address how the Board should accomplish prioritizing the factors identified. The Board believes this is best established in the context of individual standard-setting projects.

What Are the Next Steps in the Process?

Stakeholders are encouraged to review and provide comment on the Exposure Draft by November 9, 2016. The proposal and instructions on how to provide comments are available at www.fasb.org.

For more information about the project, please visit the FASB's website at www.fasb.org.