

September 30, 2010

International Accounting Standards Board
30 Cannon Street,
London EC4M 6XH
United Kingdom

Dear Sirs,

This letter is the response of the Canadian Accounting Standards Board (AcSB) to the International Accounting Standards Board's May 2010 Exposure Draft, "Presentation of Items of Other Comprehensive Income: Proposed amendments to IAS 1." The Appendix to this letter has been prepared by the AcSB staff and includes detailed comments on the proposals in the Exposure Draft.

The staff of the AcSB discussed this Exposure Draft with the AcSB's User Advisory Council, and with other constituents. The views expressed in this letter take into account comments and perspectives raised during our consultations. However, they do not necessarily represent a common view of the Board, its advisory groups or staff. Views of the Board are developed only through due process.

Overall, we support the proposals in the Exposure Draft, especially the proposed requirement for the presentation of comprehensive income in a single statement. In our view, this proposal, if adopted, will be a major step towards the Board's goal of providing users with a comprehensive picture of an entity's financial performance. At the same time, we continue to be concerned about the current lack of a conceptual basis for determining which items should be included in

other comprehensive income rather than profit or loss, and which items of other comprehensive income should be reclassified subsequently to profit or loss (recycled). We think that without this conceptual underpinning, the proposals we are commenting on in this letter have limited effectiveness. We strongly encourage the Board to undertake the fundamental evaluation of other comprehensive income originally included in the scope of the joint Financial Statement Presentation project, and to develop the conceptual basis described above if the Board decides that the other comprehensive income category should continue to exist.

We would be pleased to elaborate on any of our comments in more detail if you require. If so, please contact me, Peter Martin, Director Accounting Standards at +1 416 204-3276 (e-mail peter.martin@cica.ca), or Karen Jones, Principal Accounting Standards at +1 416 204-3463 (e-mail karen.jones@cica.ca).

Yours truly,



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Appendix

Comments of the Canadian Accounting Standards Board (AcSB) staff on the May 2010 Exposure Draft, “Presentation of Items of Other Comprehensive Income: Proposed amendments to IAS 1”

Question 1 – Title of statement of comprehensive income

We consider the title given to the proposed single statement in IFRSs and other publications of the Board to be a relatively minor issue, in part because entities will not be required to use this title in practice. Nevertheless, we think that the labels used in IFRSs to refer to the components of a complete set of financial statements, or to specific line items within those statements, add value in that they provide useful examples of acceptable terminology. It is our experience that even when given a choice, preparers tend to use the terminology used in the standard.

Accordingly, that terminology should be clear and understandable. We think the proposed title has both these qualities. It makes clear the requirement for a single statement and identifies the statement’s two components.

Question 2 – The single statement approach

We agree that the presentation of profit or loss and other comprehensive income as separate sections of a single statement will improve consistency, comparability, and the decision-usefulness of the information presented. Our response (CL 34) to the IASB’s March 2006 Exposure Draft of Proposed Amendments to IAS 1 *Presentation of Financial Statements* (relating to Segment A of the joint Financial Statement Presentation project) noted that we favour the single statement approach to the presentation of comprehensive income over all others. This preference is based on the rationale set out in paragraphs BC18-BC19 of the Basis for Conclusions accompanying the May 2010 proposals. Our outreach activities on this topic have revealed no substantial concerns on the part of Canadian constituents that the importance of profit or loss will somehow be diminished as a result of the proposals, or that single-statement

presentation of comprehensive income will be confusing to financial statement users. In fact, financial statement users universally supported the proposals.

Question 3 – Presentation of other comprehensive income

Yes, we support the requirement to present items of other comprehensive income that will be reclassified to profit or loss (recycled) separately from those that will not. We agree that this presentation will provide clarity regarding the future effect of items of other comprehensive income on an entity's financial performance. Users have also told us that it will assist them in asking more effective questions of management.

At the same time, we think the IASB should develop criteria for which items of other comprehensive income should be recycled and which shouldn't (see "Question 6 – Other comments" below).

Question 4 – Allocation of income tax

In our response to your March 2006 Exposure Draft, we noted that we agreed with your proposal that entities should disclose the tax effects associated with each component of other comprehensive income. This continues to be our view. Also, we agree with respondents to your October 2008 Discussion Paper on financial statement presentation who supported the preservation of existing presentation alternatives for the tax effects of items of other comprehensive income.

With respect to whether items of other comprehensive income are presented before or after tax, we have no preference. However, consistent with our view on Question 3, we agree that entities choosing to present such items before tax should be required to allocate income tax between items that will be reclassified to profit or loss and those that will not.

Question 5 – Benefits and costs

We agree with the analysis in paragraphs BC32-BC36. Users in Canada have told us that the proposed amendments will make financial statements more useful to them, and preparers have not expressed any particular concerns about cost.

Question 6 – Other comments*Need for a fundamental evaluation of other comprehensive income*

Although we support the proposals overall, we think they go only part way towards achieving the improvements needed in this area. As acknowledged in paragraph BC15, at present there exists no conceptual basis for determining whether an item should be presented in profit or loss or other comprehensive income. Further, there are no criteria for which items of other comprehensive income should be recycled and which shouldn't. We remind the Board that some of the work activities originally planned for Phase B of the joint Financial Statement Presentation project might have contributed towards the development of such a basis, or led to a decision that other comprehensive income and recycling should no longer be used. Indeed, as the following excerpt from a May 2007 joint IASB/FASB project update for Financial Statement Presentation indicates, the Boards appeared to have decided tentatively on this point already:

“The Boards expressed their view that all current period changes in assets and liabilities should be presented in one of the functional categories on the statement of comprehensive income, thereby rendering ‘other comprehensive income’ and the mechanism of recycling unnecessary. The Boards believe that achieving that view is a long-term goal. To achieve it, current standards that require recognition of amounts in OCI will need to be changed. Therefore, the Boards acknowledged that, as an interim step, OCI items might need to be presented in a separate section of the statement of comprehensive income.”

We understand the time and resource constraints that led to this acknowledgment and the subsequent reduction in project scope in 2008. However, in our view, absent the necessary conceptual underpinning, the proposals in the May 2010 Exposure Draft provide a partial solution only. Without the necessary framework, users of financial statements cannot be

expected to understand fully the nature and significance of items of other comprehensive income – whether they are reported in one statement or two, or categorized according to whether or not they will be recycled.

We strongly encourage the Board to address the issue of whether other comprehensive income should exist and, if so:

- (a) the conceptual basis for its use;
- (b) criteria for the determination of which items should be presented in profit or loss and which should be presented in other comprehensive income; and
- (c) whether, and if so when, items in other comprehensive income should be recycled to profit or loss.

Without this clarity, the category of other comprehensive income detracts from the transparency of the financial statements and will continue to be seen by many as a “dumping ground” for items the Board wanted recognized but did not want to require be included in profit or loss.