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## Why issue these proposals?

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- Lack of clarity regarding the nature of OCI
- Confusion over reclassification
- Continued and increasing use of OCI
  - IFRS 9 *Financial Instruments*
  - Measuring Financial Liabilities
  - IAS 19 *Employee Benefits*

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## The proposed amendment to IAS 1

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### Proposed changes

- Require profit or loss and OCI to be shown as separate components of the statement of comprehensive income
- Require separate presentation of OCI items that will and will not be reclassified

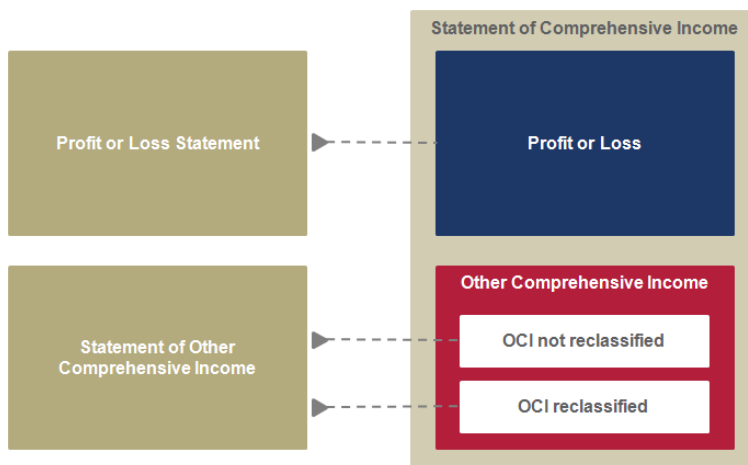
### This amendment does not...

- Address which items to present in OCI
- Change the measurement or presentation of net income



## What is being proposed?

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## The effect of the IASB's proposals

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- Preservation of profit or loss
- Enhanced clarity
- Improved usefulness and transparency



## Responses to the discussion paper

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- Single statement of comprehensive income proposed in the FSP discussion paper
- Many responses received
  - Significant support from investors, auditors and professional bodies
  - But a significant lack of support from preparers
- Proposals in the ED modified as a result of comments on the DP

***Key concerns of preparers .....***



## Preparer concern #1

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***A single statement of comprehensive income will eliminate net income or would undermine net income by making it a subtotal***

- We are not eliminating net income - there is no hidden agenda
- Still a clear distinction between profit or loss and OCI
- EPS still based on net income. Allocation of net income still displayed



## Preparer concern #2

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***Presenting total comprehensive income as the last number in the statement would confuse users***

- Support from large majority of investors
- Clear distinction between net income and OCI
- Split in OCI improves clarity
- Preparers still have flexibility regarding presentation and terminology



## Preparer concern #3

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### ***Lack of conceptual basis for OCI and a resulting unclear difference between profit or loss and OCI***

- IASB acknowledges further work needed to develop a clear principle for measuring performance
- However, this should not stop improvements being made to the presentation of profit or loss and OCI



## Preparer concern #4

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### ***Items in OCI are different from the items in net income***

- IASB agrees that gains and losses can have different qualities – this is why we have OCI
- Many different views on disaggregation and classification
- However, items in P/L and OCI also have similarities – they are all gains and losses



## Why separate from the FSP project?

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- Effective date of OCI proposals aligned with amendments to ...
  - Employee benefits
  - Financial instruments
- Remaining FSP proposals likely to be on a different time line
  - FSP project proposals are significant changes
  - If adopted, longer implementation time needed



## A joint project with the FASB

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- FASB will be issuing the same proposals
  - Except US GAAP currently requires all OCI items to be recycled
- Also important for FASB due to their proposed approach for accounting for financial instruments



## Next steps

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- Publish exposure draft end of first quarter
- Comment period for the exposure draft is 120 days
- Issue the final amendment in the final quarter of 2010



## Questions or comments?

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Expressions of individual views by members of the IASB and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

