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**International
Accounting Standards
Board**

This document is provided as a convenience to observers at IASB meetings, to assist them in following the Board's discussion. It does not represent an official position of the IASB.

Board positions are set out in Standards.

These notes are based on the staff papers prepared for the IASB. Paragraph numbers correspond to paragraph numbers used in the IASB papers. However, because these notes are less detailed, some paragraph numbers are not used.

INFORMATION FOR OBSERVERS

Board Meeting: 24 July 2008, London

Project: Financial Statement Presentation

Subject: Paragraph describing the Boards' long term view on other comprehensive income (Agenda Paper 16)

INTRODUCTION

1. In June 2008, the Boards agreed that the preliminary views document should include language similar to the following:

During its discussion about presenting information in the statement of comprehensive income, the Boards expressed a preference for presenting OCI items in a manner similar to how other non-owner changes in assets and liabilities are presented. However, because pursuing that view would inevitably involve recognition and possibly measurement issues, which are beyond the scope of a project on financial statement presentation, and may necessitate making changes to existing standards, the Boards agreed to focus on a presentation that was consistent with current standards for reporting OCI items. The Boards may address those individual standards in other standard-setting projects. [paragraph 9 of agenda paper 9A for the June meeting]

2. In the second pre-ballot draft (July 14th, 2008), the staff proposed the following paragraph to reflect that decision:

3.34 During its discussion about presentation in the statement of comprehensive income, the Boards **expressed a preference** for eliminating the recognition and presentation of other comprehensive income items outside net income and profit or loss and therefore also eliminating the need to subsequently recycle those items into net income and profit or loss. In expressing that preference, the Boards noted that they would like to replace those existing requirements with a requirement to present other comprehensive income items in the same manner that all other non-owner changes in assets and liabilities are presented. However, because pursuing that view likely will involve recognition or measurement issues (or both) that are beyond the scope of a project on financial statement presentation, and may necessitate making changes to existing standards, the Boards agreed to focus the current phase of this project on presentation that is consistent with existing standards. **In the future**, the Boards plan to undertake projects to eliminate the separate presentation of other comprehensive income items and related reclassification adjustments by revising individual standards that permit such presentation and reclassification (recycling). (*emphasis added*)

3. In addition, the staff included paragraph 1.24 within the scope section of the pre-ballot draft, as follows:

1.24 This project will not address recognition or measurement guidance provided in other standards for individual assets, liabilities, or transactions. Therefore, the Boards decided not to consider in this project whether to change existing requirements that describe

- a) Which items must or may be presented in other comprehensive income outside of net income or profit or loss.
- b) Whether, when, and how items of other comprehensive income must be reclassified to net income or profit or loss (see paragraph 3.34).

4. In reviewing the second preballot draft, a Board member raised the following concerns regarding the content of paragraph 3.34:

- a) Whether the long term **preference** of **all** Board members was to eliminate the recognition and presentation of other comprehensive income items outside net income and profit or loss (and therefore also eliminating the need to recycle them).
- b) Whether the Boards have specific plans to undertake projects to change the current accounting for other comprehensive income items.

5. The staff identified three possibilities for modifying/replacing paragraph 3.34 to address those concerns and reflect the Boards' views, as follows (the first three

alternatives are marked to show changes from paragraph 3.34 of the July 14 preballot draft):

Alternative A. During its discussion about presentation in the statement of comprehensive income, the Boards expressed a preference for eliminating the recognition and presentation of other comprehensive income items outside net income and profit or loss and therefore also eliminating the need to subsequently recycle those items into net income and profit or loss. In expressing that preference, the Boards noted that they would like to replace those existing requirements with a requirement to present other comprehensive income items in the same manner that all other non-owner changes in assets and liabilities are presented. However, because pursuing that view likely will involve recognition or measurement issues (or both) that are beyond the scope of a project on financial statement presentation, and may necessitate making changes to existing standards, the Boards agreed to focus this project on presentation that is consistent with existing standards. ~~In the future, the Boards plan to undertake projects to eliminate the separate presentation of other comprehensive income items and related reclassification adjustments by revising individual standards that permit such presentation and reclassification (recycling).~~

Alternative B. During its discussion about presentation in the statement of comprehensive income, the Boards expressed a preference for ~~eliminating the recognition and presentation of some or all items of other comprehensive income items~~ outside net income and profit or loss and therefore also eliminating the need to subsequently recycle those items into net income and profit or loss. ~~In expressing that preference, the Boards noted that they would like to replace those existing requirements with a requirement to present some or all other comprehensive income items in the same manner that all other non-owner changes in assets and liabilities are presented. changing~~

- a) which items must or may be presented in other comprehensive income outside net income or profit or loss,
- b) whether, when, and how items of other comprehensive income must be reclassified into net income or profit or loss.

However, because ~~pursuing that view~~ changes of that nature likely will involve recognition or measurement issues (or both) that are beyond the scope of a project on financial statement presentation, and would necessitate making changes to existing standards, the Boards agreed to focus ~~the current phase of this project~~ on a presentation that is consistent with existing standards. ~~In the future, the Boards plan to undertake projects to eliminate the separate presentation of other comprehensive income items and related reclassification adjustments by revising individual standards that permit such presentation and reclassification (recycling).~~ Although the Boards have no specific plans to change the current accounting for other comprehensive income items they might address the recognition and presentation of individual items of other comprehensive income on a standard-by-standard basis in future projects.

Alternative C. Use the wording quoted above from the June agenda paper (repeated below):

During its discussion about presenting information in the statement of comprehensive income, the Boards expressed a preference for presenting OCI items in a manner similar to how other non-owner changes in assets and liabilities are presented. However, because pursuing that view would inevitably involve recognition and possibly measurement issues, which are beyond the scope of a project on financial statement presentation, and may necessitate making changes to existing standards, the Boards agreed to focus on a presentation that was consistent with current standards for reporting OCI items. The Boards may address those individual standards in other standard-setting projects.

6. The staff notes the following on those alternatives:
 - a. Alternative A is most consistent with the July 14 preballot draft; however it is silent on the Boards' future plans (because they have none).
 - b. Alternative B focuses on what the staff understands **all** Board members agree on: the presentation of other comprehensive income and associated recycling mechanism should change. The words are consistent with paragraph 1.24 in the preballot draft that describes the Boards' decision to exclude (a) and (b) from the project scope. Alternative B also includes a suggested modification to the last sentence in paragraph 3.34.
 - c. Alternative C is the same as paragraph 9 in Agenda paper 9A discussed at the June 2008 IASB meeting. In June, a majority of IASB members agreed to include a paragraph of that nature in the document. All FASB members agreed as well, but suggested the staff be more explicit about the long-term view (to eliminate items of other comprehensive income and the recycling mechanism).

Questions for the Board:

Q1. Does the Board want the preliminary views document to mention what has been referred to as the Boards' long-term goal for the statement of comprehensive income? (If not, paragraph 3.34 would be deleted from the draft and only scope paragraph 1.24 included.)

Q2 If so, should the document include the preference of a majority of Board members to eliminate OCI items and recycling?

2a. If the answer to Q2 is "yes", should Alternative A, B, or C be used?

Q3. If so, should the document include a sentence stating that the Boards might address the accounting for and presentation of individual OCI items on a standard-by-standard basis (that is, when and if the Boards address the relevant standards in the future)?