Project **Financial Statement Presentation**

Topic **Definition and presentation of remeasurements**

Purpose of the meeting

1. At the joint meeting in October 2009, the FASB tentatively agreed to require disaggregation of remeasurements on the statement of comprehensive income (SCI) in a columnar format. The IASB expressed a preference for presenting information about remeasurements in the notes to financial statements. However, IASB members were willing to revisit this decision once the staff analysed how information on remeasurements was currently displayed under IFRSs and US GAAP and how presentation of remeasurements is being discussed in other projects.

2. The purpose of this meeting is to discuss the concerns expressed by some board members at the October joint meeting and reconsider the following issues:

   (a) Issue 1: the definition of a remeasurement**.**

   (b) Issue 2: whether information on remeasurements should be presented on the SCI or in the notes.

3. The IASB will discuss those issues at their December meeting (prior to the December joint meeting). **If the IASB reaches tentative decisions that differ from the FASB tentative decisions made in October, the boards will discuss this paper at the December joint meeting**.

Summary of staff recommendation

4. In this paper, the staff recommend that:

   (a) the exposure draft state that the objective of presenting remeasurement information in the financial statements is to enable users of financial statements to identify components of comprehensive income that are persistent and those that are not.

   (b) the boards retain the definition of remeasurements discussed at the October 2009 joint meeting and include additional explanatory paragraphs (see paragraphs 19 and 20) including whether all inputs used in the calculation of a remeasurement must reference a current price or value.

   (c) remeasurements be disaggregated in a two-column format on the SCI (an *income and expense except for remeasurements* column and a *remeasurements* column) for the current and previous period, leaving a "total" column as optional.

Issue 1: Definition of remeasurements

5. At the October 2009 joint meeting, the boards discussed the following definition of a remeasurement:

> An amount recognised in comprehensive income that reflects the effects of a change in the carrying amount of an asset or liability to a current price or value (or to an estimate of a current price or value).

6. A *current price or value* would include fair value, fair value less costs to sell, value in use, and net realisable value. In other words, any time an asset or liability is subsequently measured using a current price or current value measurement attribute, the amount recognised in comprehensive income is a remeasurement. Examples of remeasurements follow (with a brief explanation of why the staff think they would be considered remeasurements):

   (a) revaluation of a building (IFRSs only) as it is determined by reference to a fair value

(b) impairments of long-lived assets, as (under IFRS) it is determined by reference to a recoverable amount

(c) gain or loss recognised on the measurement to fair value less costs to sell on the sale of a disposal group constituting a discontinued operation

(d) changes in investment property values that are measured at fair value

(e) actuarial gains and losses because all inputs into the calculation of the present value of a defined benefit obligation are current estimates (including the discount rate) and the plan assets are remeasured at fair value

(f) foreign currency translation adjustments because it is determined by referencing current exchange rates

(g) realised and unrealised gains/losses on financial instruments that are measured at fair value

(h) subsequent measurement of biological assets and agricultural produce harvested (ie inventory) that are measured at fair value less costs to sell.

7. As recommended at the October 2009 joint meeting, **all** subsequent measurements of assets and liabilities that result in a current price or value for those assets and liabilities meet the definition of a remeasurement. However, some board members are concerned that the proposed definition is too broad because it does not:

(a) distinguish changes in assets and liabilities that differ in terms of either *persistence* or *measurement subjectivity*

(b) distinguish between realised and unrealised gains and losses

(c) distinguish remeasurements that are ongoing (ie the remeasurements are a normal part of an entity's operating activities).

8. In November the staff met with a small group of board members to discuss those concerns and others raised at the October joint meeting. The following section reflects the issues and ideas discussed at that small group meeting.

Staff analysis

Objective of providing remeasurement information

9. The staff think that the boards should agree on an objective for disaggregating information on remeasurements, whether on the SCI or in the notes to financial statements. That objective would be included in the exposure draft to help constituents understand the purpose of presenting remeasurement information.

10. One of the main inputs in analysts' forecasting and valuation models is earnings, and analysts' perceptions of earnings quality are therefore relevant. Earnings quality can refer to a number of things, including how persistent components of income are——the higher the persistence, the higher the earnings quality. The staff understands from discussions with users of financial statements that earnings with greater persistence warrant higher valuation multiples as they are considered a better predictor of future earnings.

11. Presenting remeasurement information will assist users of financial statements in identifying components of comprehensive income that are not persistent (ie not indicative of future amounts of income). (The staff acknowledge that remeasurements are not the only nonpersistent components of comprehensive income.) Some users of financial statements view the persistence of components of earnings as helping identify the relative quality of earnings. Therefore, providing information about remeasurements should give users of financial statements insight as to the quality of an entity's earnings.

What about assets or liabilities that are remeasured using blended inputs?

12. The subsequent measurement of some assets and liabilities involve only quoted prices and observable data (eg level 1 and level 2 fair value measurements). Therefore, there is little question that the effects of those subsequent

measurements meet the proposed definition of a remeasurement. However, the subsequent measurement of some assets and liabilities can involve blended inputs. That is, some of the inputs are current prices or values (or estimates of a current price or value) and some are not. For example, the December 2009 insurance project papers propose a measurement for an insurance liability that is a hybrid approach that considers both current estimates (ie expected, probability-weighted, future cash flows and risk margin) and non-current values (ie residual margin, resulting from an allocation model for the remaining day one difference). Similarly, the measurement of an asset retirement obligation (US GAAP) involves current estimates of cash flows and historical discount rates.

13. Thus, determining whether a subsequent measurement of an asset or liability meets the remeasurement definition may involve judgment. The staff recommend that the exposure draft provide guidance on whether **all** inputs used in the calculation of a remeasurement must reference a current price or value. The staff's inclination is to say that all or a majority of the inputs used in the calculation must reference a current price or value (or an estimate of a current price or value).

Should the definition exclude "ongoing remeasurements"?

14. Although board members agree that presenting remeasurements is useful in distinguishing components of income that are not persistent, some board members think that we should focus on segregating only remeasurements that are not part of an entity's normal operating activities. For example, during field visits with preparers and users in 2003, some IASB constituents said that presenting inventory impairments as remeasurements is useful in principle but probably not so in practice. That is because inventory impairments determined at the end of each reporting period could be regarded as an ongoing, normal component of an entity's earnings.

15. The staff think the focus on segregating only some remeasurements is partly in response to financial statement users' interest in distinguishing 'underlying' earnings or operating performance from one-off events (ie restructuring charges or disposal gains and losses) and the effect of remeasurements of assets and

liabilities. The *Headline Earnings* circular (issued by the South African Institute of Chartered Accountants, Circular 3/2009) provides a distinction between "included" and "excluded (ongoing)" remeasurements to help in the calculation of an adjusted earnings/profit or loss number ("headline earnings number"). The staff assert that the objective of segregating remeasurements should <u>not</u> be to define a single "performance metric."

16. The staff think that the proposed definition of a remeasurement is useful as a starting point in disaggregating *all* subsequent measurements that cause an asset or liability to be adjusted to a current price or value. A user of the financial statements should be able to review all the remeasurements in a period and decide how to treat each of those remeasurements in their analysis. The classification (into operating, investing, and financing activities) and line item descriptions should help a user of financial statements understand which remeasurements may be "recurring" or "normal."

17. Therefore, the staff do not support narrowing the definition of remeasurements to exclude, for example, remeasurements that are related to the regular operations of an entity. Narrowing the definition in that manner will introduce subjectivity into what should be a definition that an entity can objectively apply. In other words, the proposed remeasurement definition should ensure that information about components of comprehensive income are disaggregated consistently from entity to entity.

Staff recommendation

18. The staff recommend that the exposure draft include an objective for presenting information about remeasurements in the financial statements similar to the following:

> The objective of presenting remeasurement information is to enable users of financial statements to identify components of comprehensive income that are not persistent (ie not indicative of future amounts of income) and those that are. Remeasurements, by definition, are not persistent, predetermined or predictable. In analysing an entity's earnings quality, a

user of financial statements treats nonpersistent items different from persistent items and therefore would in most cases assign a remeasurement a valuation multiple of one (or less). Disaggregating remeasurements from other changes in assets and liabilities also provides information that is useful in assessing the amount, timing, and uncertainty of future cash flows.

19. The staff recommend that the exposure draft define a *remeasurement* as follows (marked to show changes from the definition recommended in October):

> A remeasurement is an amount recognised in comprehensive income that reflects the effects of a change in the carrying amount of an asset or liability to a *current price* or *value* (or to an estimate of a current price or value). <u>A current price or value includes the following measurement attributes: fair value, fair value less costs to sell, value in use and net realisable value.</u>

20. The staff recommend that the exposure draft include explanatory guidance similar to the following:

> A remeasurement is any change in the carrying amount of an asset or liability to a current price or a current value (except for changes arising from new transactions and the passage of time). A remeasurement can be a change that occurs during the accounting period (for items remeasured each period) or since the date of the last remeasurement (for items remeasured only under specific circumstances). A remeasurement can relate to the normal operating activities of an entity.
>
> Some examples of remeasurements are:
>
> (a) revaluation of a building (IFRSs only) as it is determined by reference to a fair value
>
> (b) impairments of long-lived assets as (under IFRS) it is determined by reference to a recoverable amount
>
> (c) gain or loss recognised on the measurement to fair value less costs to sell on the sale of a disposal group constituting a discontinued operation
>
> (d) changes in investment property values that are measured at fair value

(e) actuarial gains and losses because all inputs into the calculation of the present value of the defined benefit obligation are current estimates (including the discount rate) and the plan assets are remeasured at fair value

(f) foreign currency translation adjustments that result from the use of current exchange rates

(g) realised and unrealised gains/losses on financial instruments that are measured at fair value.

(h) measurement of biological assets and agricultural produce harvested (ie inventory) that are measured at fair value less costs to sell.

Remeasurements are not by definition changes that arise through the passage of time such as depreciation or amortisation and that are not calculated by reference to a current price or value, such as financial assets subsequently measured at amortised cost.

21. The staff also recommend that the exposure draft provide guidance on whether all inputs used in the calculation of a remeasurement must reference a current price or value. The staff's inclination is to say that all or a majority of the inputs used in the calculation must reference a current price or value (or an estimate of a current price or value).

Questions for the boards

Q1. The staff recommend that the exposure draft state that the objective of presenting remeasurement information is to enable users of financial statements to identify components of comprehensive income that are not persistent (ie not indicative of future amounts of income) and those that are. **Do the boards agree with that recommendation?**

Q2. The staff recommend that the boards retain the definition of remeasurements discussed at the October joint meeting and include the explanatory paragraphs proposed in paragraphs 19 and 20 of this paper. **Do the boards agree with that recommendation?**

Q3. The staff recommend that the exposure draft provide guidance on whether all inputs used in calculating a remeasurement must reference a current price or value (or an estimate of a current price or value). **Do the boards agree with that recommendation? If so, do the boards agree that it should be all or a majority of the inputs?**

Issue 2: Whether information on remeasurements should be presented on the SCI or in the notes

22. At the October joint meeting, the staff recommended a columnar approach (two or three columns) to presenting information about remeasurements on the SCI. The FASB tentatively agreed with that recommendation, the IASB did not. As noted previously, some IASB members were concerned that presenting remeasurements on the SCI would be redundant with information currently presented in the notes or being discussed in active projects.

Staff research

23. The staff reviewed the many requirements in IFRSs and US GAAP to disclose remeasurements . Those requirements are usually part of a requirement to reconcile opening and closing SFP line items. However, there are some disclosure requirements that are specific to remeasurements such as gains or losses on the disposal of discontinued operations or inventory write-downs. **Appendix B** provides a summarised list of requirements to disclose remeasurements found in IFRSs and US GAAP. (The list is meant to be illustrative—it is not an exhaustive list and we are sure that after further research we would identify items on the list that do not meet the definition of a remeasurement in Issue 1.)

24. The boards are addressing remeasurements in the following active projects: financial instruments, fair value measurement, insurance contracts, and post-employment benefits. **Appendix C** summarizes how remeasurements are being viewed or discussed in those IASB projects and recently published exposure drafts.

Possible alternatives

25. The staff would like the boards to consider the following alternatives for presenting information about remeasurements (as defined in Issue 1):

(a) **Alternative 1:** Capture remeasurement information in the notes as part of the (proposed) analysis of changes in significant line items on the SFP.

(b) **Alternative 2:** Disaggregate remeasurement information on the SCI as recommended by the staff at the October joint meeting.

(c) **Alternative 3:** Present remeasurement information in a separate note disclosure.

Each alternative is illustrated in Appendix A.

Alternative 1—Only present remeasurement information as part of the analysis of changes in SFP line items

26. Alternative 1 looks to the (proposed) analysis of changes in significant SFP line items to provide information about remeasurements. As discussed at the October joint meeting, remeasurements would be one of the required components in that proposed disclosure.

27. At the joint meeting, board members questioned whether all of the SFP line item analyses would be presented in the same note and if narrative explanations would accompany the analyses. The staff's leanings on those questions is that the analysis of changes in SFP line items

(a) should be presented in the note related to the asset or liability (therefore, the analyses of changes that include remeasurements would be scattered throughout the notes)

(b) should be accompanied by explanatory text as necessary.

28. Alternative 1 is consistent in part with the recommended objective of presenting remeasurement information (see paragraph 18) in that it identifies changes in assets and liabilities that are persistent and those that are not. However, it presents that remeasurement information within the context of asset or liability line items, not in the context of comprehensive income and its components on the SCI. Consequently, Alternative 1 will not provide information that makes it readily apparent how the remeasurement relates to an entity's earnings for the period.

Alternative 2—Disaggregate remeasurements on the SCI and explain in the notes

29. Alternative 2 presents information about remeasurements on the SCI. An entity would disaggregate each line item on the SCI into components that are remeasurements and those that are not remeasurements. A two-column approach would include an *income and expenses before remeasurements* column and a *remeasurements* column. A three-column approach would include those two columns plus a third *total* column for each line item on the SCI. An entity would explain the remeasurement information in the notes to financial statements.

30. Alternative 2 is consistent with the recommended objective of presenting information about remeasurements (see paragraph 18) because it segregates on the SCI components of comprehensive income that are not persistent and components that are persistent.

31. Disaggregating remeasurements on the SCI prominently displays the information in a timely manner and makes information about remeasurements transparent to users of financial statements. Disaggregating remeasurements on the SCI also is consistent with the presentation of remeasurements in the proposed reconciliation schedule because remeasurement information is presented in the context of the SCI.

32. Because Alternative 2 presents the remeasurement amounts on the SCI, an explanation of those amounts would need to be provided in the notes. Although the same information might be included in the analyses of changes in significant SFP line items (as discussed in Alternative 1 above), the staff think it is best to have information that supplements the remeasurement column presented in a single note. Thus, there would be duplication of information in the remeasurement note disclosure and the narrative explanations that accompany the individual analysis of changes of SFP line items.

<u>How many columns?</u>

33. In October, the staff discussed with the boards whether two or three columns should be displayed on the SCI for the current period and for comparative periods. Board members wondered whether, as a practical matter, there would

be enough space on the page to include three columns for each period presented. (The boards agreed in Phase A of this project that only one comparable period needs to be presented on the SCI). Board members also noted that a multi-column SCI might be complex and difficult for a user of the financial statements to understand, in contrast to disclosing remeasurement information in the notes to financial statements (along with a narrative explanation).

34. The staff suggest two ways to present remeasurement information on the SCI:

(a) mandatory display of two columns (an income and expenses before remeasurements column and a remeasurements column) and optional display of a third column (a total column) for all periods; or

(b) mandatory display of three columns for the reporting period and require only the total column for the comparative period(s). (The other columns for comparatives would be a mandatory footnote disclosure.)

35. The staff prefers option (a) – requiring the same columnar information for the current and the comparative period. Although three columns for the current and comparative year could be presented, the staff think only two columns should be required because having six columns on the SCI seems a little unwieldy, plus all the necessary information can be presented in two columns.

36. The staff do not support option (b) because we think it would not allow for easy comparison of the remeasurement information in the current and prior period.

37. Appendix A provides an illustration of both option (a) and option (b) for Alternative 2.

Alternative 3—Present remeasurements in a single note

38. Alternative 3 presents the remeasurement column and the line item descriptions from Alternative 2 in a single note disclosure. The remeasurements will be arranged by section and category (ie operating, investing, debt, discontinued operations, income taxes, and other comprehensive income) and qualitative information also will be included.

39. Alternative 3 is consistent in part with the recommended objective of presenting remeasurement information (see paragraph 18) because the SCI line item descriptions help identify components of comprehensive income that are not persistent. In addition, the information explaining the remeasurement column is included in the same place as the remeasurement column. However, the remeasurement information in the notes would need to be viewed in the context of the SCI to get an understanding of the persistent components of comprehensive income.

Staff recommendation

40. The staff continue to support disaggregating remeasurements on the SCI and thus recommend Alternative 2. Presenting remeasurement information on the SCI accommodates those that want to analyse performance absent some remeasurements, as well as those that want to consider remeasurements when analysing performance. It also elevates the presentation of that information to the primary financial statements as opposed to Alternative 3, which discloses the same information in the notes.

41. The boards already agreed to present remeasurement information as part of the analysis of changes in significant SFP line items (Alternative 1) and are discussing presenting information about remeasurements in specific projects. However, those disclosures do not present remeasurement information in one place and do not present that information in the context of the other components of comprehensive income.

42. Alternative 2 also provides a format to segregate changes in value that some view as similar to changes in value that are recognised in OCI (for example, fair value changes in financial assets that IFRS 9 requires to be recognised in profit or loss and the remeasurement component of pension cost). The columnar format will provide a place for separately displaying amounts currently recognised in OCI should the boards decide in future projects that some or all of those amounts should be initially recognised in profit or loss.

How is the columnar approach different from the "old" matrix reporting format?

43. At the October joint meeting some IASB members asked the staff to explain how the recommended columnar approach differs from the matrix reporting format proposed by the IASB/ASB in 2002 (matrix).

44. The most significant difference between the matrix and Alternative 2 is that the matrix is a SCI that does <u>not</u> include a split between profit or loss and items reported in other comprehensive income. The purpose of the matrix was to provide information about the components of comprehensive income and the relationships between them, not to provide an earnings or net income subtotal. IASB constituents were (and still are) very interested in preserving the net income subtotal and the notion of recycling.

45. Many of the IASB's constituents viewed the matrix as an opportunity to segregate unusual, one-off changes not related to business performance on the SCI (resulting in a "clean surplus" number). Thus, they challenged the presentation of some "ongoing" remeasurements such as write-downs of accounts receivable and inventory impairments in the remeasurements column. Because "ongoing remeasurements" would be included in the recommended definition of remeasurements those concerns may still exist.

46. However, as noted previously, the purpose of disaggregating remeasurements on the SCI is not to provide a "clean surplus" or a single performance metric, but to to help users understand performance by giving them information about components of comprehensive income that are not persistent and therefore might factor differently into their analyses. Defining performance or determining what items should be included or excluded from net income is outside the scope of the financial statement presentation project.

47. Another concern with the matrix was how items were classified in and the definitions of the operating and financing categories. That issue is unrelated to presentation of remeasurements; however, the staff think the working definitions of those categories address some of the concerns voiced in 2002.

Advisory group input

48. The staff is currently doing some outreach with its advisory groups (the Joint International Group and the Financial Institution Advisory Group) to get their views on the presentation of remeasurements. The following summarizes the views of 16 members:

    (a) Remeasurements should be summarised in a single place. Most members support presentation in the notes. Members that support the columnar approach suggested additional columns to the remeasurement column, such as “cash flows” and “accruals”.

    (b) Most members thought remeasurement information should be presented in the context of the SCI, not individual assets and liabilities.

    (c) Most members think that all entities should be required to present the same information. While there are differences in industries, most entities face similar issues. For example, a non-financial services entity still has a treasury function and struggles to appropriately display their information to a smaller scale than a financial services entity.

Question for the boards
Q3. The staff recommend that remeasurements be disaggregated in the SCI in a two-column format (an *income and expense except for remeasurements* column and a *remeasurements* columns), for the current and previous year, leaving a “total” column as optional. **Do the boards agree with this recommendation? If not, do the boards support Alternative 3** (the staff’s next preference)**?**

Appendix A: Presentation of ToolCo's remeasurements

Alternative 1—analysis of changes in SFP line items

Note 1 - Revenues and Billings

	Accounts Receivable	Bad Debt	Customer Advances
Beginning balance 1 January 2010	541,375	(13,534)	(425,000)
Collections from customers	(2,491,950)	-	(324,000)
Sale of receivables	(8,000)	-	-
Total Cash Changes	(2,499,950)	-	(324,000)
Revenue accrual	2,920,600	-	567,000
Write-offs	(12,960)	12,960	-
Other adjustment - bad debt reserve	-	(23,068)	-
Remeasurement - loss on sale of receivables	(4,987)	-	-
Remeasurement - foreign exchange	1,600	-	-
Ending balance 31 December 2010	945,678	(23,642)	(182,000)

Note 2 - Inventory Costs

	Inventory	Inventory Accounts Payable
Beginning balance 1 January 2010	767,102	(505,000)
Cash paid for purchases	-	935,544
Total Cash Changes	-	935,544
Accrual - credit purchases	1,043,100	(1,043,100)
Allocation - wages, benefits, depreciation	624,300	-
Reduction from sales	(1,727,650)	-
Remeasurement - Loss on inventory	(29,000)	-
Remeasurement - foreign exchange	1,622	-
Ending balance 31 December 2010	679,474	(612,556)

Note 3 - Long-lived Assets

	PP&E Net	Building Net	Asset Retirement Obligation*	Lease Liability Including Interest
Beginning balance 1 January 2010	3,041,500	23,500	(14,250)	(346,500)
Cash paid to purchase PP&E	54,000	-	-	-
Cash paid for lease	-	-	-	33,500
Cash paid for interest	-	-	-	16,500
Cash received from sale of assets	(37,650)	-	-	-
Total Cash Changes	16,350	-	-	50,000
Accrual - interest	-	-	-	(14,825)
Allocation - depreciation, accretion	(277,620)	(1,500)	(810)	-
Remeasurement - gain on sale of assets	22,650	-	-	-
Remeasurement - ARO recognition	14,580	-	(14,580)	-
Remeasurement - revaluation surplus	-	5,620	-	-
Ending balance 31 December 2010	2,817,460	27,620	(29,640)	(311,325)

* Amount is included as part of Other long-term liabilities (litigation + Decommissioning) in the Statement of Financial Position.

Note 4 - Compensation and Benefits

	Wages, Salaries, Benefits	Share-based Remuneration*	Pension Liability*
Beginning balance 1 January 2010	(200,000)	(21,165)	(529,500)
Cash paid for wages, salaries and benefits	810,000	-	-
Cash paid for stock remuneration	-	3,602	-
Contribution to plan	-	-	124,200
Payment of benefits	-	-	216,000
Total Cash Changes	810,000	3,602	340,200
Accrual	(783,000)	-	-
Accrual - stock remuneration	-	(15,773)	-
Accrual - pension expense (service cost)	-	-	(121,950)
Remeasurement - remeasurement of plan assets	-	-	18,000
Remasurement - fair value	-	(6,250)	-
Ending balance 31 December 2010	(173,000)	(39,586)	(293,250)

*Example to illustrate analysis of changes from SFP perspective. This disclosure would be combined with or replace disclosures currently required by IFRS or US GAAP.

Note 7 - Investments

	AFS Securities	Associate A	Associate B
Beginning balance 1 January 2010	485,000	240,000	39,250
Sale of securities	(56,100)	-	-
Total Cash Changes	(56,100)	-	-
Share of profit of associate	-	23,760	7,500
Remeasurement - foreign exchange	-	(2,160)	-
Remeasurement - fair value	26,450	-	-
Remeasurement - gain on sale of securities	18,250	-	-
Ending balance 31 December 2010	473,600	261,600	46,750

Alternative 2—option b with *two* columns for current and comparative period

	For the year ending Dec. 31,			
	2010		2009	
For year ending Dec. 31, 2010	Income and Expense Except For Remeasurements	Remeasurements	Income and Expense Except For Remeasurements	Remeasurements
BUSINESS				
Operating				
Sales-wholesale	2,790,080		2,591,400	
Sales-retail	697,520		647,850	
Total revenue	3,487,600		3,239,250	
Cost of goods sold				
Materials	(1,043,100)		(925,000)	
Labour	(405,000)		(450,000)	
Pension expense (service cost)	(60,975)		(53,250)	
Expected return on plan assets		*9,000*		*6,000*
Overhead-depreciation	(219,300)		(215,000)	
Overhead-transportation and other	(160,800)		(135,000)	
Change in inventory	(60,250)		(46,853)	
Loss on obsolete & damaged inventory		*(29,000)*		*(9,500)*
Total cost of goods sold	(1,949,425)	(20,000)	(1,825,103)	(3,500)
Gross profit	**1,538,175**	**(20,000)**	**1,414,147**	**(3,500)**
Selling Expenses				
Advertising expense	(60,000)		(50,000)	
Wages, salaries and benefits	(56,700)		(52,500)	
Bad debt expense	(23,068)		(15,034)	
Other selling expenses	(13,500)		(12,500)	
Total selling expenses	(153,268)		(130,034)	
General and administrative expenses				
Wages, salaries and benefits	(321,300)		(297,500)	
Pension expense (service cost)	(60,975)		(53,250)	
Expected return on plan assets		*9,000*		*6,000*
Depreciation expense-property plant and equipment	(58,320)		(57,000)	
Depreciation expense-building	(1,500)		(1,500)	
Employee share-based remuneration	(15,773)		(12,000)	
Change in FV of cash settled employee share-based payment transactions		*(6,250)*		*(5,000)*
Interest expense on lease liability	(14,825)		(16,500)	
Other	(12,960)		(12,000)	
Research and development	(8,478)		(7,850)	
Litigation expense	(1,998)		(1,850)	
Accretion expense on asset retirement obligation	(810)		(750)	
Total general and administrative expenses	(496,939)	2,750	(460,200)	1,000
Income before other operating items	*887,968*	*(17,250)*	*823,913*	*(2,500)*
Other operating				
Gain on disposal of PPE		*22,650*		
Share of profit of associate A	23,760		22,000	
Realized gain on cash flow hedge		*3,996*		*3,700*
Impairment loss on goodwill				*(35,033)*
Loss on sale of receivables		*(4,987)*		*(2,025)*
Total other operating income	23,760	21,659	22,000	(33,358)
Total continuing operating income	**911,728**	**4,409**	**845,913**	**(35,858)**
Investing				
Dividend income	54,000		50,000	
Realized gain on AFS securities		*18,250*		*7,500*
Share of profit of associate B	7,500		3,250	
Total continuing investing income	**61,500**	**18,250**	**53,250**	**7,500**
TOTAL CONTINUING BUSINESS INCOME	**973,228**	**22,659**	**899,163**	**(28,358)**
FINANCING				
Interest expense	(111,353)		(110,250)	
Interest income on cash	8,619		5,500	
TOTAL CONTINUING FINANCING EXPENSE	**(102,733)**		**(104,750)**	
Income from continuing operations before taxes	**870,495**	**22,659**	**794,413**	**(28,358)**
Income tax expense	(333,625)		(295,266)	
Net income from continuing operations	**536,870**	**22,659**	**499,147**	**(28,358)**
DISCONTINUED OPERATIONS				
Loss on discontinued operations	(12,582)		(35,000)	
Loss on disposal		(19,818)		
Tax benefit	11,340		12,250	
NET LOSS ON DISCONTINUED OPERATIONS	**(1,242)**	**(19,818)**	**(22,750)**	
NET PROFIT	**535,628**	**2,841**	**476,397**	**(28,358)**
OTHER COMPREHENSIVE INCOME (after tax)				
Unrealized gain on available for sale securities (investing)		*17,193*		*15,275*
Revaluation surplus (operating)		*3,653*		
Foreign currency translation adjustment-consolidated subsidiary (operating)		*2,094*		*(1,492)*
Foreign currency translation adjustment on equity method investee (operating)		*(1,404)*		*(1,300)*
Unrealized gain on cash flow hedge (operating)		*1,825*		*1,690*
Total other comprehensive income		**23,361**	**46,722**	**14,173**
Profit before remeasurements	**535,628**	**26,202**	**476,397**	**(14,185)**
Total of remeasurements	**26,202**		**(14,185)**	
Total comprehensive income	**561,830**		**462,212**	

(Explanatory information would be in the notes)

Alternative 2—option a with *three* columns for current and comparative period

	For the year ending Dec. 31,					
	2010			2009		2009
For year ending Dec. 31, 2010	Income and Expense Except For Remeasurements	Remeasurements	Total comprehensive income	Income and Expense Except For Remeasurements	Remeasurements	Total comprehensive income
BUSINESS						
Operating						
Sales-wholesale	2,790,080		2,790,080	2,591,400		2,591,400
Sales-retail	697,520		697,520	647,850		647,850
Total revenue	3,487,600		3,487,600	3,239,250		3,239,250
Cost of goods sold						
Materials	(1,043,100)		(1,043,100)	(925,000)		(925,000)
Labour	(405,000)		(405,000)	(450,000)		(450,000)
Pension expense (service cost)	(60,975)		(60,975)	(53,250)		(53,250)
Expected return on plan assets		*9,000*	9,000		*6,000*	6,000
Overhead-depreciation	(219,300)		(219,300)	(215,000)		(215,000)
Overhead-transportation and other	(160,800)		(160,800)	(135,000)		(135,000)
Change in inventory	(60,250)		(60,250)	(46,853)		(46,853)
Loss on obsolete & damaged inventory		*(29,000)*	*(29,000)*		*(9,500)*	*(9,500)*
Total cost of goods sold	(1,949,425)	(20,000)	(1,969,425)	(1,825,103)	(3,500)	(1,828,603)
Gross profit	**1,538,175**	**(20,000)**	**1,518,175**	**1,414,147**	**(3,500)**	**1,410,647**
Selling Expenses						
Advertising expense	(60,000)		(60,000)	(50,000)		(50,000)
Wages, salaries and benefits	(56,700)		(56,700)	(52,500)		(52,500)
Bad debt expense	(23,068)		(23,068)	(15,034)		(15,034)
Other selling expenses	(13,500)		(13,500)	(12,500)		(12,500)
Total selling expenses	(153,268)		(153,268)	(130,034)		(130,034)
General and administrative expenses						
Wages, salaries and benefits	(321,300)		(321,300)	(297,500)		(297,500)
Pension expense (service cost)	(60,975)		(60,975)	(53,250)		(53,250)
Expected return on plan assets		*9,000*	9,000		*6,000*	6,000
Depreciation expense-property plant and equipment	(58,320)		(58,320)	(57,000)		(57,000)
Depreciation expense-building	(1,500)		(1,500)	(1,500)		(1,500)
Employee share-based remuneration	(15,773)		(15,773)	(12,000)		(12,000)
Change in FV of cash settled employee share-based payment transactions		*(6,250)*	(6,250)		*(5,000)*	(5,000)
Interest expense on lease liability	(14,825)		(14,825)	(16,500)		(16,500)
Other	(12,960)		(12,960)	(12,000)		(12,000)
Research and development	(8,478)		(8,478)	(7,850)		(7,850)
Litigation expense	(1,998)		(1,998)	(1,850)		(1,850)
Accretion expense on asset retirement obligation	(810)		(810)	(750)		(750)
Total general and administrative expenses	(496,939)	2,750	(494,189)	(460,200)	1,000	(459,200)
Income before other operating items	*887,968*	*(17,250)*	*870,718*	*823,913*	*(2,500)*	*821,413*
Other operating						
Gain on disposal of PPE		*22,650*	*22,650*			
Share of profit of associate A	23,760		*23,760*	22,000		22,000
Realized gain on cash flow hedge		*3,996*	*3,996*		*3,700*	*3,700*
Impairment loss on goodwill					*(35,033)*	*(35,033)*
Loss on sale of receivables		*(4,987)*	*(4,987)*		*(2,025)*	*(2,025)*
Total other operating income	23,760	21,659	45,419	22,000	(33,358)	(11,358)
Total continuing operating income	**911,728**	**4,409**	**916,137**	**845,913**	**(35,858)**	**810,055**
Investing						
Dividend income	54,000		54,000	50,000		50,000
Realized gain on AFS securities		*18,250*	18,250		*7,500*	*7,500*
Share of profit of associate B	7,500		7,500	3,250		*3,250*
Total continuing investing income	**61,500**	**18,250**	**79,750**	**53,250**	**7,500**	**60,750**
TOTAL CONTINUING BUSINESS INCOME	**973,228**	**22,659**	**995,887**	**899,163**	**(28,358)**	**870,805**
FINANCING						
Interest expense	(111,353)		(111,353)	(110,250)		(110,250)
Interest income on cash	8,619		8,619	5,500		5,500
TOTAL CONTINUING FINANCING EXPENSE	**(102,733)**		(102,733)	**(104,750)**		(104,750)
Income from continuing operations before taxes	**870,495**	**22,659**	893,154	**794,413**	**(28,358)**	766,055
Income tax expense	(333,625)		(333,625)	(295,266)		(295,266)
Net income from continuing operations	**536,870**	**22,659**	**559,529**	**499,147**	**(28,358)**	**470,789**
DISCONTINUED OPERATIONS						
Loss on discontinued operations	(12,582)		(12,582)	(35,000)		(35,000)
Loss on disposal		(19,818)	(19,818)			
Tax benefit	11,340		11,340	12,250		12,250
NET LOSS ON DISCONTINUED OPERATIONS	**(1,242)**	**(19,818)**	**(21,060)**	**(22,750)**		**(22,750)**
NET PROFIT	**535,628**	**2,841**	**538,469**	**476,397**	**(28,358)**	**448,039**
OTHER COMPREHENSIVE INCOME (after tax)						
Unrealized gain on available for sale securities (investing)		*17,193*	*17,193*		*15,275*	*15,275*
Revaluation surplus (operating)		*3,653*	*3,653*			
Foreign currency translation adjustment-consolidated subsidiary (operating)		*2,094*	*2,094*		*(1,492)*	*(1,492)*
Foreign currency translation adjustment on equity method investee (operating)		*(1,404)*	*(1,404)*		*(1,300)*	*(1,300)*
Unrealized gain on cash flow hedge (operating)		*1,825*	*1,825*		*1,690*	*1,690*
Total other comprehensive income		**23,361**	**23,361**	**46,722**	**14,173**	**14,173**
Totals	**535,628**	**26,202**	**561,830**	**476,397**	**(14,185)**	**462,212**

(Explanatory information would be in the notes)

Alternative 2—option b (three columns for current year and "total" column for the comparative period)

	For the year ending Dec. 31,			
	2010			2009
For year ending Dec. 31, 2010	Income and Expense Except For Remeasurements	Remeasurements	Total comprehensive income	Total comprehensive income
BUSINESS				
Operating				
Sales-wholesale	2,790,080		2,790,080	2,591,400
Sales-retail	697,520		697,520	647,850
Total revenue	3,487,600		3,487,600	3,239,250
Cost of goods sold				
Materials	(1,043,100)		(1,043,100)	(925,000)
Labour	(405,000)		(405,000)	(450,000)
Pension expense (service cost)	(60,975)		(60,975)	(53,250)
Expected return on plan assets		*9,000*	9,000	6,000
Overhead-depreciation	(219,300)		(219,300)	(215,000)
Overhead-transportation and other	(160,800)		(160,800)	(135,000)
Change in inventory	(60,250)		(60,250)	(46,853)
Loss on obsolete & damaged inventory		*(29,000)*	*(29,000)*	*(9,500)*
Total cost of goods sold	(1,949,425)	(20,000)	(1,969,425)	(1,828,603)
Gross profit	**1,538,175**	**(20,000)**	**1,518,175**	**1,410,647**
Selling Expenses				
Advertising expense	(60,000)		(60,000)	(50,000)
Wages, salaries and benefits	(56,700)		(56,700)	(52,500)
Bad debt expense	(23,068)		(23,068)	(15,034)
Other selling expenses	(13,500)		(13,500)	(12,500)
Total selling expenses	(153,268)		(153,268)	(130,034)
General and administrative expenses				
Wages, salaries and benefits	(321,300)		(321,300)	(297,500)
Pension expense (service cost)	(60,975)		(60,975)	(53,250)
Expected return on plan assets		*9,000*	9,000	6,000
Depreciation expense-property plant and equipment	(58,320)		(58,320)	(57,000)
Depreciation expense-building	(1,500)		(1,500)	(1,500)
Employee share-based remuneration	(15,773)		(15,773)	(12,000)
Change in FV of cash settled employee share-based payment transactions		*(6,250)*	(6,250)	(5,000)
Interest expense on lease liability	(14,825)		(14,825)	(16,500)
Other	(12,960)		(12,960)	(12,000)
Research and development	(8,478)		(8,478)	(7,850)
Litigation expense	(1,998)		(1,998)	(1,850)
Accretion expense on asset retirement obligation	(810)		(810)	(750)
Total general and administrative expenses	(496,939)	2,750	(494,189)	(459,200)
Income before other operating items	*887,968*	*(17,250)*	*870,718*	*821,413*
Other operating				
Gain on disposal of PPE		*22,650*	*22,650*	
Share of profit of associate A	23,760		*23,760*	22,000
Realized gain on cash flow hedge		*3,996*	*3,996*	*3,700*
Impairment loss on goodwill				*(35,033)*
Loss on sale of receivables		*(4,987)*	*(4,987)*	*(2,025)*
Total other operating income	23,760	21,659	45,419	(11,358)
Total continuing operating income	**911,728**	**4,409**	**916,137**	**810,055**
Investing				
Dividend income	54,000		54,000	50,000
Realized gain on AFS securities		*18,250*	18,250	*7,500*
Share of profit of associate B	7,500		7,500	*3,250*
Total continuing investing income	**61,500**	**18,250**	**79,750**	**60,750**
TOTAL CONTINUING BUSINESS INCOME	**973,228**	**22,659**	**995,887**	**870,805**
FINANCING				
Interest expense	(111,353)		(111,353)	(110,250)
Interest income on cash	8,619		8,619	5,500
TOTAL CONTINUING FINANCING EXPENSE	**(102,733)**		(102,733)	(104,750)
Income from continuing operations before taxes	**870,495**	**22,659**	893,154	766,055
Income tax expense	(333,625)		(333,625)	(295,266)
Net income from continuing operations	**536,870**	**22,659**	**559,529**	**470,789**
DISCONTINUED OPERATIONS				
Loss on discontinued operations	(12,582)		(12,582)	(35,000)
Loss on disposal		(19,818)	(19,818)	
Tax benefit	11,340		11,340	12,250
NET LOSS ON DISCONTINUED OPERATIONS	**(1,242)**	**(19,818)**	**(21,060)**	**(22,750)**
NET PROFIT	**535,628**	**2,841**	**538,469**	**448,039**
OTHER COMPREHENSIVE INCOME (after tax)				
Unrealized gain on available for sale securities (investing)		*17,193*	*17,193*	*15,275*
Revaluation surplus (operating)		*3,653*	*3,653*	
Foreign currency translation adjustment-consolidated subsidiary (operating)		*2,094*	*2,094*	*(1,492)*
Foreign currency translation adjustment on equity method investee (operating)		*(1,404)*	*(1,404)*	*(1,300)*
Unrealized gain on cash flow hedge (operating)		*1,825*	*1,825*	*1,690*
Total other comprehensive income		**23,361**	**23,361**	**14,173**
Total	**535,628**	**26,202**	**561,830**	**462,212**

(Explanatory information would be in the notes)

Alternative 3—presentation of remeasurements in the notes

List of remeasurements	For the year ending Dec. 31, 2010	2009
BUSINESS		
Operating		
Expected return on plan assets	9,000	6,000
Loss on obsolete & damaged inventory	(29,000)	(9,500)
Expected return on plan assets	9,000	6,000
Change in FV of cash settled employee share-based payment transactions	(6,250)	(5,000)
Gain on disposal of PPE	22,650	
Realized gain on cash flow hedge	3,996	3,700
Impairment loss on goodwill		(35,033)
Loss on sale of receivables	(4,987)	(2,025)
Investing		
Realized gain on AFS securities	18,250	7,500
DISCONTINUED OPERATIONS		
Loss on disposal	(19,818)	
OTHER COMPREHENSIVE INCOME (after tax)		
Unrealized gain on available for sale securities (investing)	17,193	15,275
Revaluation surplus (operating)	3,653	
Foreign currency translation adjustment-consolidated subsidiary (operating)	2,094	(1,492)
Foreign currency translation adjustment on equity method investee (operating)	(1,404)	(1,300)
Unrealized gain on cash flow hedge (operating)	1,825	1,690

(Explanatory information would accompany this table)

Appendix B: Comparative list of remeasurements in IFRS and USGAAP

IFRS Standard	IFRS Item Required Disclosure	U.S. GAAP Item Required Disclosure	Codification Topic
IFRS 2 *Share-based Payment*	• Remeasurements of the fair value of the liability for cash-settled share-based payment transactions or share-based payment transactions with cash alternatives.	• Similar in U.S. GAAP	718 Compensation-Stock Compensation
IFRS 3 *Business Combinations*	• Goodwill impairment. • Net exchange rate differences on goodwill recognised in OCI. • Goodwill adjustments resulting from the subsequent recognition of deferred tax assets. • Subsequent remeasurement of contingent liabilities. • Subsequent remeasurement of contingent consideration. • Gains or losses resulting from remeasuring to fair value previously held equity interest in the acquiree in a business combination achieved in stages.	• Similar in U.S. GAAP	350 Intangibles – Goodwill and Other 805 Business Combinations
IFRS 4 *Insurance Contracts*	• Impairment of reinsurance assets. • Adjustment to insurance liabilities (or deferred acquisition costs or intangible assets) to be recognised in OCI corresponding to unrealised gains or losses on insures' assets recognised in OCI (shadow accounting).	• The amount of gains and losses recognized on assets transferred to separate accounts for the periods presented • Realized gains and losses of insurance assets (receivables, investments, and PP&E) not presented as a separate item in the statement of earnings.	944 Financial Services – Insurance
IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*	• Post-tax gain or loss recognised on the measurement to fair value, less costs to sell, or on the disposal of the assets or disposal groups constituting the discontinued operations (including gain or loss recognised in OCI). • Gains/losses on non-current assets or disposal groups held for sale.	• Similar in U.S. GAAP	205 Presentation of Financial Statements
IFRS 6 *Exploration for and Evaluation of Mineral Resources*	• Impairment losses and subsequent reversal of impairment losses. • Disposal gains or losses	• Not applicable in U.S. GAAP	
IFRS7 *Financial Instruments : Disclosure* **(amended by IFRS9)**	• Gains or losses resulting from remeasurement of financial assets and liabilities designated as measured at fair value through profit or loss on initial recognition, and those that are mandatorily measured at fair value. • Gains or losses recognised in OCI	• The amounts of gains and losses from fair value changes • Total OTTI recognized in accumulated	820 Fair Value Measurements and Disclosures 320

IFRS Standard	IFRS Item Required Disclosure	U.S. GAAP Item Required Disclosure	Codification Topic
	resulting from remeasurement of investments in equity instruments designated as measured at fair value through OCI. • For cash flow hedges, gains or losses recognised in OCI resulting from remeasurement of the hedging instrument. • For fair value hedges, gains and losses resulting from remeasurement of the hedging instrument and the hedged item attributable to the hedged risk. (Further disaggregation for remeasurements) • For financial assets designated as measured at fair value that would otherwise be measured at amortised cost, the maximum exposure to credit risk and changes in the fair value that is attributable to changes in the credit risk • For financial liabilities designated as measured at fair value that would otherwise be measured at amortised cost, the maximum exposure to credit risk and changes in the fair value that is attributable to changes in the credit risk • Gains or losses on financial assets and liabilities measured at fair value categorised within Level 3 (including gains or losses recognised in OCI).	OCI for securities classified as available for sale and held to maturity • Total gains or losses for securities classified as available for sale with net gains or losses in accumulated OCI • Gains and losses reported in accumulated OCI for derivative instruments that have been designated and have qualified as cash flow hedging instruments. • Net gain or loss for derivative instruments (and some nonderivative instruments) that have been designated and have qualified as fair value hedging instruments and for the related hedged items. • Gains and losses on derivative instruments (and such nonderivative instruments) • The amount of net gain or loss when a hedged firm commitment no longer qualifies as a fair value hedge. • For loans and other receivables held as assets, the estimated amount of gains or losses included in earnings during the period attributable to changes in instrument-specific credit risk • For liabilities with fair values, the estimated amount of gains and losses from fair value changes included in earnings that are attributable to changes in the instrument-specific credit risk • For fair value measurements using significant unobservable inputs (Level 3), a reconciliation which includes total gains or losses (realized and unrealized)	Investments-Debt and Equity Securities 815 Derivatives and Hedging 825 Financial Instruments 820 Fair Value Measurements and Disclosures
Exposure Draft Fair Value Measurement	• Gains or losses on assets and liabilities measured at fair value categorised within Level 3(including gains or losses recognised in OCI).	*See above*	
IFRS9 *Financial Instruments*	• Remeasurement of financial assets at fair value • Subsequent changes in the fair value of an investment in an equity interest that is irrevocably selected to be presented in OCI at initial recognition.	*See above*	
IAS 2 *Inventories*	• Write down or reversal of write down to net realisable value.	• Amounts representing a write-down to net realizable value	340 Other Assets and Deferred Costs
IAS 11	• Changes in provisions for future		

IFRS Standard	IFRS Item Required Disclosure	U.S. GAAP Item Required Disclosure	Codification Topic
Construction Contracts	losses.		
IAS 16 *Property, Plant and Equipment*	• Impairment losses and subsequent reversal of impairment losses recognised in profit or loss. • Disposal gains or losses. • Increases or decreases resulting from revaluations and from impairment losses recognised or reversed in OCI • Net exchange differences recognised in OCI	• Similar in U.S. GAAP	420 Exit or Disposal Cost Obligations
IAS 19 *Employee Benefits*	• Actuarial gains and losses • Curtailments and settlements of defined benefit plans. • Effect of the limit (asset ceiling) recognised in profit or loss, or OCI	• Similar in U.S. GAAP • The effect of fair value measurements using significant unobservable inputs (Level 3) on changes in plan assets for the period • The net gain or loss and net prior service cost or credit recognized in other comprehensive income.	715 Compensation-Retirement Benefits
IAS 21 *The Effects of Changes in Foreign Exchange Rates*	• Net exchange differences recognised in profit or loss resulting from the translation of monetary assets and liabilities. • Net exchange differences recognised in OCI resulting from the translation of non-monetary assets and liabilities and the net investment in a foreign operation. • Net exchange differences recognised in OCI arising on the translation of the financial statements from the functional currency into a different presentation currency, including the translation of a foreign operation into the presentation currency of the reporting entity	• Similar in US GAAP	830 Foreign Currency Matters
IAS 27 *Consolidated and Separate Financial Statements*	• Gains or losses on the loss of control of the subsidiary. • Remeasurement of any investment retained in the former subsidiary at fair value when control is lost	• Any gain or loss related to the deconsolidation of a subsidiary	810 Consolidation
IAS 28/IAS 31 *Accounting for Investments in Associates and Joint Ventures*	• Gains or losses on the disposal of the associate/joint venture. • Remeasurement of any investment retained in the former associate/jointly controlled entity at fair value when significant influence/joint control is lost		
IAS 36 *Impairment of Assets*	• Impairment losses and subsequent reversal of impairment losses including impairment losses	• Impaired Loans • Impairment loss of long-lived assets classified as held and used	310 Receivables 360 Property,

IFRS Standard	IFRS Item Required Disclosure	U.S. GAAP Item Required Disclosure	Codification Topic
	recognised in OCI.		Plant, and Equipment
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*	• Any remeasurements recognised in profit or loss.		
IAS 38 *Intangible Assets*	• Impairment losses and subsequent reversal of impairment losses recognised in profit or loss. • Disposal gains or losses. • Increases or decreases during the period resulting from revaluations and from impairment losses recognised or reversed in OCI.	• Intangible asset impairment losses	350 Intangibles-Goodwill and Other
IAS 39 *Financial Instruments: Recognition and Measurement*	• Subsequent measurement of financial liabilities at fair value through profit or loss.	• The gross realized gains and gross realized losses included in earnings as a result of the sales of available-for- sale securities • The gross gains and gross losses included in earnings from transfers of securities from the available-for-sale category into the trading category • Trading securities still held • Changes in fair value for servicing assets and servicing liabilities subsequently measured at fair value • The cumulative-effect adjustment to retained earnings that results from an entity subsequently electing to measure servicing assets and servicing liabilities at fair value	320 Investments-Debt and Equity Securities 860 Transfers and Servicing
IAS 40 *Investment Property*	(Fair value model) • Net gains or losses from fair value adjustments recognised in profit or loss. • Net exchange differences recognised in OCI	• Unrealized gains or losses recognized during the period on investments that are still held at the date of the statement of financial position	325 Investments-Other
IAS 41 *Agriculture*	• Gain or loss arising from changes in fair value less estimated costs to sell • Net exchange differences recognised in OCI		

Appendix C: Discussion of remeasurements in active projects

Financial instruments

C1. IFRS 7, as amended by IFRS 9 *Financial Instruments* (issued November 2009), requires the disclosure of gains and losses resulting from:

(a) financial assets and financial liabilities measured at fair value through profit or loss

(b) equity investments measured at fair value through OCI

(c) changes in the fair value of financial assets and liabilities that would otherwise be measured at amortised cost

(d) changes in the fair value of a financial liability that is attributable to changes in the credit risk

(e) financial assets and financial liabilities measured at fair value categorised within Level 3, gains or losses for the period recognised in profit or loss, and OCI in a reconciliation

(f) hedge accounting; disclosures are required for the amounts recognised in the period and in OCI from remeasurement of the hedging instrument and the hedged item attributable to the hedged risk.

C2. At the October 2009 meeting, the IASB discussed whether an entity should be required to present on the SCI the total gains or losses for the period related to fair value measurements (including adjusted fair value) in Level 3 of the hierarchy. The IASB decided that it would reconsider that issue at a future date.

Fair value measurement

C3. The IASB exposure draft *Fair Value Measurement* proposes disclosure of the effect of fair value measurements using significant unobservable inputs (Level 3) on profit or loss or OCI for the period.

Insurance contracts

C4. Currently, insurers often use fair value for their assets that are backing the insurance liabilities (in some cases changes reported in and recycled from other comprehensive income). Under many existing accounting models insurers apply an amortised cost-based model to their insurance liabilities; consequently, those liabilities are not remeasured unless they become onerous. The boards are currently discussing the model for insurance liabilities to be included in their forthcoming exposure draft on insurance contracts. That model is likely to be a current measure with recognition and disclosure of remeasurement components at each reporting date; this model will therefore increase the frequency of remeasurement of insurance liabilities compared to many existing accounting models.

Post-employment benefits

C5. The IASB has tentatively decided that an entity should disaggregate the pension cost into an employment component (service cost), a financing component (interest cost) and a remeasurement component (actuarial gains and losses on the defined benefit obligation and the total return on plan assets). All components would be presented in profit or loss except for the remeasurement component that would be displayed in the OCI section of the statement of comprehensive income.

C6. At the November meeting, the IASB tentatively decided to present remeasurements in the OCI section of a single SCI. The board also asked the staff to research the following for discussion at a future meeting:

(a) whether changes in the service cost assumptions (other than the interest rate) should be treated as remeasurements (ie presented in OCI) or as part of the employment component (ie presented in profit or loss); and

(b) if there is any part of the change in the fair value of plan assets (an interest income amount) that is not considered a remeasurement.