



Project	Financial Statement Presentation
Topic	Statement of Comprehensive Income

Introduction

1. At the July 2009 joint board meeting, the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) [collectively, boards] will discuss whether OCI and recycling should be considered at this point in time, either as part of their deliberations in the FSP project or by running an accelerated parallel project. The staff will discuss the results of that meeting at the working group meeting.

Background

2. In June 2008 the boards decided to **remove from the scope** of the financial statement presentation (FSP) project consideration of whether to change existing requirements that describe:
 - (a) which items must or may be presented in OCI outside of profit or loss;
and
 - (b) whether, when and how OCI items must be reclassified to profit or loss.
3. The boards reached that decision because of the:
 - (a) difficulty in reaching agreement on those issues;
 - (b) likely opposition from constituents to any proposal to eliminate OCI and recycling; and
 - (c) need to publish a standard on financial statement presentation by June 2011.

This paper has been prepared by the technical staff of the FAF and the IASCF for discussion at a public meeting of the FASB or the IASB.

The views expressed in this paper are those of the staff preparing the paper. They do not purport to represent the views of any individual members of the FASB or the IASB.

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Project level developments at the IASB

4. Subsequent to the publication of the FSP discussion paper, the IASB has made tentative decisions in two projects that have put pressure on the boards' decision not to address OCI and recycling in the short-term as part of the current phase (Phase B) of the FSP project.
5. The IASB's project on post-employment benefits has highlighted the discomfort some Board members have with presenting changes in pension obligations within profit and loss. In March 2009 the IASB tentatively decided to report some 'remeasurement' items related to post-employment benefits on a net-of-tax basis within profit or loss (eg changes in actuarial assumptions and changes in the fair value of plan assets). That presentation decision eliminates recycling for those items.
6. In June 2009 (as part of its project to replace IAS 39 *Financial Instruments: Recognition and Measurement*) the IASB tentatively decided to permit an entity, on its initial recognition of investments in equity instruments that are not held for trading, to make an irrevocable election to present changes in the fair value of those investments in OCI. If that election is made, dividends associated with those equity instruments also would be presented in OCI and no transfers from OCI to profit or loss (ie recycling) would be permitted.

Project level developments at the FASB

7. In July 2009 the FASB tentatively decided to require an approach to classification of financial instruments that would require an entity to present within OCI changes in the fair value of a particular category of financial instruments. The FASB also tentatively decided to require transfers from OCI to profit or loss (ie recycling) once an exchange transaction has taken place or to reflect credit impairments. OCI and its components would be displayed in a single statement of comprehensive income (SCI) **below** profit or loss, net of tax and would no longer be permitted to be displayed within a statement of changes in equity.

Feedback from IASB advisory groups

The Standards Advisory Council (SAC) and the Analyst Representative Group (ARG)

8. In June 2009 the IASB requested feedback from two of its advisory groups as to whether the IASB should extend (return) the scope of the FSP project to one that considers OCI and recycling. Both the SAC and the ARG were unanimous in their recognition that both OCI and recycling need to be addressed. However, there was much divergence as to how (and whether or when) those topics should be incorporated in the FSP project.
9. Both groups acknowledged that it will be difficult to develop a format for reporting performance in the SCI because the following issues require resolution:
 - (a) Whether OCI items should:
 - (i) be grouped into sections or categories (ie those that are reclassified to profit or loss versus those that are not)
 - (ii) be reclassified through profit or loss or be transferred directly to equity once an exchange transaction has occurred
 - (iii) have taxes allocated.
 - (b) development of a principle for recognising items directly in profit or loss or OCI and a definition (perhaps at the conceptual framework level) for performance reporting
 - (c) determination of measures (ie subtotals) to capture different aspects of entity performance
 - (d) review existing recognition and measurement requirements for OCI items to determine whether a change in presentation via the FSP project calls existing requirements into question.