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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: March 2009, London

Project: Post-employment Benefits

Subject: Presenting the remeasurement component in the income statement – how it might look using FSP proposals (Agenda paper 8B)

Purpose of this paper

1. This paper accompanies Agenda Paper 8A *Presenting the remeasurement component in the income statement*. It describes how the illustrative examples in the appendix to that paper might be affected if the proposals in the *Preliminary Views on Financial Statement Presentation* are finalised as set out in the discussion paper.
2. Because we have previously agreed that the Board will discuss the presentation of pensions in the context of existing IFRSs, we do not intend to discuss this paper at the Board meeting. Accordingly, there are no staff recommendations. Nonetheless we have provided this paper to assist the Board in evaluating the possible effects of their decisions in the pensions project.
3. An important distinction in the examples below is whether or not the entity chooses to present part or all of the remeasurement component net of tax effects. This is discussed in Agenda paper 8A. Although we think that IAS 1 can be made to accommodate a presentation that permits entities to draw a subtotal that represents profit from continuing operations excluding tax and specified components of

pension remeasurements, we do not think that it is possible to do so using the proposals in the FSP discussion paper. However, in line with previous directions from the Board, we do not intend to try to solve this problem in this project.

4. We have shown this paper to staff on the FSP project and reflected their comments.
5. If any Board member has questions or wishes to discuss this paper in the meeting, we would appreciate advance notice.

The examples

IAS 1	FSP proposals																																																																
<p><i>Example 1 shows how an entity might present the remeasurement component as a single line item in the income statement. (Bold indicates headings required by IAS 1). A similar presentation would be possible using the proposals in the Financial Statement Presentation Discussion paper.</i></p>																																																																	
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IAS 1				FSP proposals			
<i>Example 3 shows how an entity could use a columnar format to present disaggregated information about the remeasurement component. In this example, we assume that the FSP proposals would not preclude the presentation of an additional column.</i>							
	Excluding pension remeasurements	Pension remeasurements	Total		Excluding pension remeasurements	Pension remeasurements	Total
Revenue	X	-	X	BUSINESS			
Business expenses (including pensions employment expense)	(X)	X	X	Operating			
Finance costs (including finance costs on pensions)	X	X ¹	X	Sales	X	-	X
Profit before tax	X	X	X	Expenses (including pensions employment expense)	X	X	X
Tax expense	X	-	X	Total operating income	X	X	X
Profit from continuing operations	X	X	X	Investing			
Post-tax gains or losses on discontinued operations	X	-		Total investing income	X	-	X
Profit or loss	X	X	X	TOTAL BUSINESS INCOME	X	X	X
Components of other comprehensive income	X	-	X	FINANCING			
Total comprehensive income	X	X	x	Interest income	X	-	X
				Interest expense	X	-	X
				Finance cost on pensions	X	X	X
				Total net financing expense	X	X	X
				INCOME TAXES	X	-	X
				NET PROFIT FROM DISCONTINUED OPERATIONS	X	-	X
				OTHER COMPREHENSIVE INCOME (after tax)			
				[Components of other comprehensive income]	X	-	X
				TOTAL OTHER COMPREHENSIVE INCOME	X	-	X
				TOTAL COMPREHENSIVE INCOME	X	X	X

¹This includes the actual return on plan assets and the effect of changes in the discount rate.

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<p><i>Example 4 shows how an entity could present the remeasurement component as a single line item net of tax effects. We do not think that the formats proposed in the FSP DP would permit an entity to present the remeasurement component net of tax effects. This is because we think remeasurements must be included in either business or financing, ie cannot be shown as a separate item outside both business and financing. This means that entities would not be able to show a subtotal equivalent to the “Profit on continuing operations before tax and remeasurement of pensions” subtotal that would be possible in accordance with IAS 1.</i></p>																								
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<p><i>Example 5 shows how an entity could present part of the remeasurement component net of tax effects. We do not think that the formats proposed in the FSP DP would permit an entity to present part of the remeasurement component net of tax effects. . This is because we think remeasurements must be included in either business or financing, ie cannot be shown as a separate item outside both business and financing. This means that entities would not be able to show a subtotal equivalent to the “Profit on continuing operations before tax and non-business remeasurements of pensions” subtotal that would be possible in accordance with IAS 1.</i></p>																										
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<p>²Includes the actual return on plan assets and actuarial gains and losses arising from changes in the discount rate</p>																										

Possible presentation of remeasurements as a separate section of the Statement of Comprehensive Income

As noted in the table of examples, remeasurements must be included in either the business or financing, sections of the statement of comprehensive income. If the Board modifies those proposals to permit a separate section for remeasurement of pensions, a possible presentation could be as follows:

BUSINESS		
Operating		
Sales		X
Expenses (including pensions employment expense)		<u>X</u>
Total operating income		<u>X</u>
Investing		
Total investing income		<u>X</u>
TOTAL BUSINESS INCOME		<u><u>X</u></u>
FINANCING		
Interest income		X
Interest expense		X
Finance cost on pensions		<u>X</u>
TOTAL NET FINANCING EXPENSE		<u>X</u>
Net profit on continuing operations before tax and pension remeasurement		X
INCOME TAXES		<u>X</u>
Net profit from continuing operations before pension remeasurement		<u>X</u>
DISCONTINUED OPERATIONS		
Loss on discontinued operation		X
Tax benefit		<u>X</u>
Net loss from discontinued operations		<u><u>X</u></u>
REMEASUREMENT OF PENSIONS		
<i>Remeasurement arising from changes in pension assumptions</i>		X
<i>Tax effect</i>		<u>X</u>
<i>Net remeasurements arising from changes in pension assumptions</i>		<u>X</u>
OTHER COMPREHENSIVE INCOME (after tax)		
[Components of other comprehensive income]		<u>X</u>
TOTAL OTHER COMPREHENSIVE INCOME		<u>X</u>
TOTAL COMPREHENSIVE INCOME		<u><u>X</u></u>