



Project	Financial Statement Presentation
Topic	The statement of comprehensive income

Introduction

1. This paper addresses the preliminary views of the IASB and the FASB (collectively, the boards) on issues specific to the statement of comprehensive income (SCI) in the context of respondents' feedback to the 2008 discussion paper *Preliminary Views on Financial Statement Presentation*. Specifically, Issue 1 briefly addresses the single statement of comprehensive income and Issue 2 addresses the classification of components of other comprehensive income (OCI). The paper ends with a description of the staff's plans for addressing other issues specific to the SCI that are not included herein.

Issue 1: Single statement of comprehensive income

2. The discussion paper proposes that an entity present a single statement of comprehensive income. Overall, respondents are split as to whether an entity should present comprehensive income and its components in a single statement of comprehensive income or in two separate statements. In general, respondents that support a single statement of comprehensive income think that greater transparency, consistency, and comparability will result. Further, the process of calculating financial ratios may be made easier.
3. Respondents that disagree with presenting a single statement of comprehensive income think that the primary focus of an entity and its investors is operating income and net income. Respondents state that including other comprehensive income items, which do not relate to the core business results of an entity, within

a single statement along with operating income and net income may confuse users of financial statements and lead to significant misinterpretations of an entity's performance.

4. Respondents that disagree with the proposal for a single statement of comprehensive income are consistent in indicating that they would prefer to either keep the net income subtotal and the comprehensive income total separate or allow management the option of choosing either a single statement or a two-statement approach to presentation.
5. As discussed at the July 2009 joint meeting, both boards have made decisions in their financial instruments projects that require consideration of whether an entity should be required to present a single statement of comprehensive income **faster than that issue can be addressed in the financial statement presentation (FSP) project.** The FASB plans to propose that all entities present a single statement of comprehensive income in its exposure draft on financial instruments (to be issued early next year). The IASB agreed that it should address the issue in the near-term in something other than the FSP project. The IASB will discuss that issue at its October 2009 meeting.
6. **For those reasons, the staff does not plan to ask the boards to deliberate that aspect of the discussion paper.**

Issue 2: Classification of OCI components

7. The discussion paper proposes that an entity should identify and indicate the category in the statement of financial position (SFP) to which each item in the OCI section relates or to which it will relate once the items are reported in net income or profit or loss.

Discussion paper proposals

8. The discussion paper proposes that items of other comprehensive income should be presented in a separate section that is displayed with prominence equal to that of all the other sections. It further states that for each item in the OCI section except a foreign currency translation adjustment on a consolidated subsidiary

(and, in International Financial Reporting Standards (IFRS), proportionately consolidated joint ventures), an entity should identify and indicate in the SCI whether the item relates to (or will relate to) an operating activity, investing activity, financing asset, or financing liability.

9. Indicating the section to which each item of OCI relates should help users understand (a) the relationship between the SCI and the SFP and (b) the section or category that potential future reclassification adjustments will be presented in when the item is recycled to profit or loss in future statements of comprehensive income.
10. The discussion paper notes that some OCI items might relate to an asset or liability that is classified in more than one category. In that instance, the related OCI item should be presented on two lines in the SCI so that the section or category that future reclassification adjustments will be presented in (once the item has been recycled to profit or loss or net income) can be clearly identified.

Respondent feedback on the discussion paper

11. Question 15 in the discussion paper asks respondents if it is decision useful for an entity to indicate the category to which items of OCI relate (except some foreign currency translation adjustments).
12. A majority of comment letter respondents agree that indicating the category to which an item of OCI relates provides decision-useful information. Respondents indicate that the information will provide users of financial statements with a view of where and how those elements either are affecting or will eventually affect information presented in the operating, investing, and financing categories.
13. Respondents that disagree with the proposed presentation observe that the designation process may be arbitrary at best, as particular items may affect more than one category. Those respondents express concern that the proposal could cause the financial statements to be more cluttered and hinder the ability of users to effectively utilize the information in them. Some respondents suggest that

indicating the category to which items of OCI relate is information best included in the notes to financial statements.

Staff analysis

14. The staff continue to support the boards' preliminary view that indicating the section or category to which each item of OCI relates will provide users of financial statements with decision-useful information. The majority of respondents to the discussion paper also agree with that view.
15. The Financial Accounting Standards Research Initiative (FASRI) study that tested some of the proposals in the discussion paper concluded that there are benefits to presenting information about classification and disaggregation in the same location. The staff think that study provides further support for presenting information about the section or category to which each OCI item relates in the same place as the components of OCI are presented.
16. The staff disagree with respondents that think providing this information on the face of the SCI will result in more cluttered financial statements or hinder the effective utilization of financial statements. The information about the related category will be a parenthetical reference next to the line item description and will not add many more, if any, line items to the SCI.
17. For most items of OCI, identifying the related category should be relatively straightforward. However, the discussion paper notes that it may be difficult to identify the related category for a foreign currency translation adjustment on a consolidated subsidiary (and, in IFRSs, proportionately consolidated joint ventures) because the adjustment may relate to more than one category of assets and liabilities in the SFP. Respondents did not express concern with the boards' preliminary view that an entity should not have to identify the category to which foreign currency translation adjustments relate.

Staff recommendation

18. The staff recommend that the boards **retain the requirement proposed in the discussion paper that for each item in the OCI section** (with the exception of a foreign currency translation adjustment on a consolidated subsidiary and a

proportionately consolidated joint venture [IFRS only]) **an entity should identify and indicate on the SCI the category or section to which the OCI item relates.**

19. At the October 2009 joint meeting, the boards will continue their deliberations on the definitions of the business and financing sections. As part of that meeting, the boards will consider whether particular categories will be required for those sections. In November, the boards will consider whether the classification of assets and liabilities into sections and categories should be presented on the SFP or in the notes to financial statements. The tentative decisions reached at those meetings may require the boards to revisit their tentative decision about the classification of components of OCI.

Question for the boards

The staff recommend that the boards retain the discussion paper proposal that an entity identify and indicate on the SCI the category or section to which each item of OCI relates (except foreign currency translations adjustments). **Do the boards agree with that recommendation?**

Other issues related to the statement of comprehensive income

20. Other issues related to SCI to be addressed in October include:
- (a) Allocation of income taxes [IASB agenda paper 5B/FASB memorandum 69B]
 - (b) Disaggregation of income and expense items by both function and nature [IASB agenda paper 5C/FASB memorandum 70C].
21. Other issues related to SCI to be addressed in November or December include:
- (a) Foreign currency [question 18 in the discussion paper]
 - (b) Basket transactions [question 21 in the discussion paper]
 - (c) The purpose of the statement of comprehensive income.