



Project	Statement of Comprehensive Income
Topic	Plan to Issue Proposed Accounting Standard

Introduction

1. This paper summarizes the decisions made either jointly or separately by the IASB and the FASB (collectively, the boards) on reporting comprehensive income in connection with the boards' projects on *Financial Statement Presentation* and *Financial Instruments*. At the February 2, 2010, joint board meeting the staff will ask the boards to confirm the decisions reached by each respective board and to identify any additional issues, if any, that the boards want to discuss before the staff drafts the proposed accounting standards. This paper summarizes the decisions made by the boards that are consistent with one another and identifies decisions where there are differences between the IASB and FASB.
2. At the October 27, 2009, joint meeting, the boards directed the staff to work together to prepare proposed accounting standards that require a single statement of comprehensive income in a manner that is as convergent as possible with the recognition that there are differences between U.S. GAAP and IFRS on whether an entity is required to eventually to recycle items of OCI through the profit or loss sections. This paper outlines the staff's plans to prepare separate accounting standards that are as convergent as possible for issuance at the time that each board issues its separate proposed accounting standard on financial instruments. At the February 2, 2010, joint meeting, the staff will ask the boards whether to proceed to draft the proposed accounting standards.

Decisions Reached By Both the IASB and FASB

3. The staff understands that both boards have agreed on the following decisions related to reporting comprehensive income:
- (a) An entity must display total comprehensive income and its components in a single financial statement of comprehensive income.
 - (b) The single statement of comprehensive income must be displayed with two sections: *profit or loss* and *other comprehensive income*, unless the entity has no items of other comprehensive income to report. An entity reporting comprehensive income is permitted to use different titles for these sections as long as the meaning is clear.¹
 - (c) Within each section of that statement, an entity must report the components of profit or loss and the components of other comprehensive income (OCI). Those components must be identified according to the nature of the items that are reported in each section.
 - (d) The FASB decided to require that reclassification adjustments for items that have been reclassified between components of OCI and profit or loss shall be displayed in both profit and loss and OCI sections of the statement of comprehensive income in the same level of detail that items were originally reported. Differences between the reporting requirements related to reclassification adjustments for IFRS and U.S. GAAP are discussed in paragraphs 4-6 of this paper.
 - (e) The existing requirements that provide the option to display components of OCI net of related income tax expense or before related income tax effects with one amount shown for the aggregate income tax effects on the face of the single statement of comprehensive income will be retained.

¹ The labelling flexibility is already allowed by IAS 1 and would not be a change for IFRSs.

- (f) The income tax effect related to each component of OCI, including reclassification adjustments, may be displayed on the face of the statement together with each component. Alternatively, the income tax effect of each component of OCI may be displayed in the notes to the financial statements.
- (g) No changes are being made to the guidance on which items must be presented in OCI. That guidance is contained in other standards that are not being amended by these new standards. Please note that the financial instruments projects are likely to change what items must be reported in other comprehensive income.

Question for the boards

The staff recommends that the boards confirm the decisions noted above. **Do the boards agree with that recommendation?**

Question for the boards

Do the boards want to add any additional issues to the scope of this project?

Reclassification of Items between Net Profit or Loss and OCI

- 4. Under U.S. GAAP, all items reported in OCI must eventually be reclassified into the profit or loss section of the statement of comprehensive income. The FASB decided that in the reporting period in which an item is reclassified from OCI to profit or loss, the entity must identify the amount in a separate component of OCI and in profit or loss section. However, the requirement for a reclassification adjustment for foreign currency translation adjustments is limited to translation gains and losses realized upon sale or upon complete or substantially complete liquidation of an investment in a foreign entity.
- 5. Under IFRS, some items of OCI do not have to be reclassified into profit or loss. However, the boards both decided that items that are reclassified from OCI to profit and loss should be reported in both the OCI and profit and loss sections of the single statement of comprehensive income.

6. The IASB also decided that the components of OCI that are not reclassified upon derecognition should be presented together and components of OCI that are reclassified upon derecognition should be presented together.

Plan for Issuance

7. The staffs of the IASB and FASB plan to work together to draft respective exposure documents that are as convergent as possible with the goal of completing the drafting and issuance process in the first quarter of 2010 for both boards. The staff understands that the exposure documents will be issued simultaneously by each board with the issuance of separate exposure drafts on financial instruments.
8. The staffs plan to ask the Boards to make decisions about the comment period, effective date, and transition together with the respective IASB and FASB project teams on financial instruments.

Question for the boards

The staff recommends that the boards direct the staffs to draft exposure drafts on reporting comprehensive income. **Do the boards agree with that recommendation?**