

International Financial Reporting Standards



Presentation of items of Other Comprehensive Income

Limited amendment to IAS 1 *Presentation of Financial
Statements*

The views expressed in this presentation are those of the presenter,
not necessarily those of the IASC Foundation or the IASB



Why issue these proposals?

Continued and increasing use of OCI

- Several gains and losses classified in OCI
- Current projects may add further items

Lack of clarity regarding the nature of OCI

- Are OCI items gains and losses or movements in equity?

Confusion over reclassification

- Some OCI items are reclassified and some are not
- Current presentation does not make this and resulting impact on P/L clear



The proposed amendment to IAS 1

Proposed changes

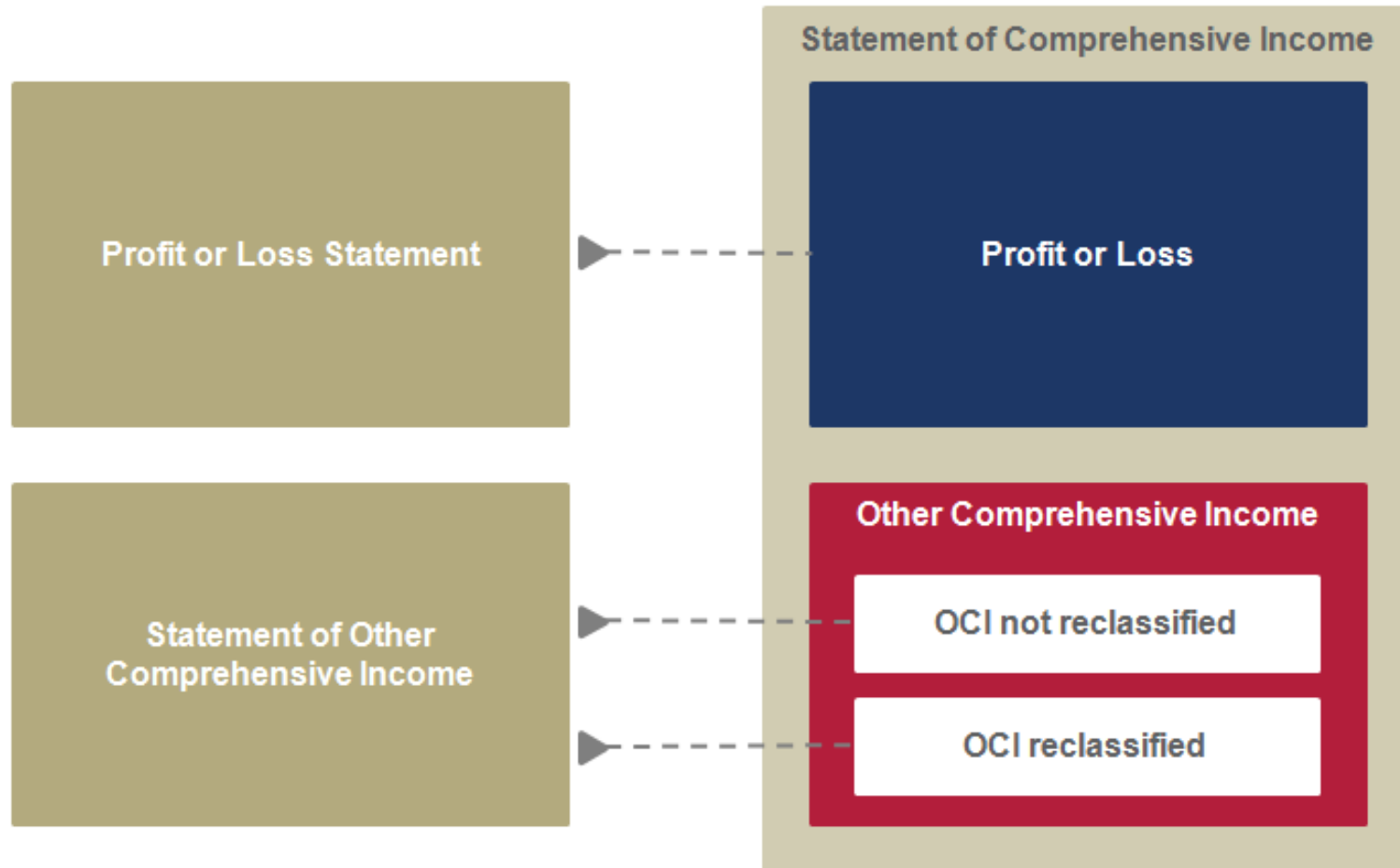
- Require profit or loss and OCI to be shown as separate components of the statement of comprehensive income
- Require separate presentation of OCI items that will and will not be reclassified

This amendment does not...

- Address which items to present in OCI
- Change the measurement or presentation of net income



The new statement ...



Example of increased use of OCI

IFRS 9 *Financial Instruments*

- Option to present OCI changes in fair value of an equity investment not held for trading

Measuring Financial Liabilities

- Tentatively decided to use OCI for ‘own credit’ adjustments for some financial liabilities at fair value

Employee Benefits

- ED will require all remeasurements to be included in OCI with no recycling



The effect of the IASB's proposals

Preservation of profit or loss

- Maintain the clear distinction between P/L and OCI
- Maintain net income as a key performance metric
- Maintain current EPS calculation

Enhanced clarity

- Distinguish items recycled and those not recycled
- Improvement on current requirement to present two statements consecutively

Improved usefulness and transparency

- All gains and losses presented in one overall statement



Responses to the discussion paper

- Single statement of comprehensive income proposed in the FSP discussion paper
- Many responses received
 - Significant support from investors, auditors and professional bodies
 - But a significant lack of support from preparers
- Proposals in the ED modified as a result of comments on the DP

Key concerns of preparers



A single statement of comprehensive income will eliminate net income or would undermine net income by making it a subtotal

- We are not eliminating net income - there is no hidden agenda
- Two components of the statement of comprehensive income. Still a clear distinction between profit or loss and OCI
- EPS still based on net income. Allocation of net income still displayed



Presenting total comprehensive income as the last number in the statement would confuse users

- Large majority of investors support presenting the two components in a single statement
- Proposals maintain clear distinction between net income and OCI
- Split between reclassified and non-reclassified items improves clarity
- Preparers still have flexibility regarding presentation and terminology



Lack of conceptual basis for OCI and a resulting unclear difference between profit or loss and OCI

- IASB acknowledges further work needed to develop a clear principle for measuring performance
- However, this should not stop improvements being made to the presentation of profit or loss and OCI
- Clearer presentation should facilitate a better debate



Items in OCI are different from the items in net income

- IASB agrees that gains and losses can have different qualities – this is why we have OCI
- Many different views on methods of disaggregation and classification
- However, items in P/L and OCI also have similarities – they are all gains and losses affecting shareholders' equity



Why is the amendment separate from the financial statement presentation project?

- The FSP project proposals are significant changes
- If adopted, preparers will need adequate time to implement changes
- The proposed amendment should be less costly and require less preparation time
- Aligned with the effective dates of the changes to employee benefits and financial instruments

The requirements that are proposed in the exposure draft of amendments to IAS 1 will be carried forward into the project on financial statement presentation



A joint project with the FASB

- FASB will be issuing the same proposals
 - Except US GAAP currently requires all OCI items to be recycled
- Also important for FASB due to their proposed approach for accounting for financial instruments



Next steps

- Publish exposure draft end of first quarter
- Comment period for the exposure draft is 120 days
- Issue the final amendment in the final quarter of 2010



Questions or comments?

Expressions of individual views by members of the IASB and its staff are encouraged.

The views expressed in this presentation are those of the presenter.

Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.

