
Project	Presentation of Items of Other Comprehensive Income
Topic	Comment letter analysis

Purpose of this paper

1. This paper summarises the responses to the Exposure Draft, *Presentation of Items of Other Comprehensive Income* (“ED”). The ED outlined the Boards proposals to amend IAS 1 *Presentation of Financial Statements* to improve the presentation of items of other comprehensive income (OCI).
2. The purpose of this paper is to communicate the staff’s preliminary analysis of the main themes in the comment letters. We will discuss this with the Board in a IASB-only session and in a joint IASB/FASB session. A separate, but similar, summary has been prepared by FASB staff on its exposure draft because our exposure draft has a slightly different scope.
3. The staff will provide a more detailed analysis on the responses to the Boards at the joint IASB/FASB meeting in December.

Overview of the comment letters

4. The five-month comment period on the ED ended on 30 September 2010. To date, the Board has received 139 comment letters which are summarised below by type of respondent and geographic region.

This paper has been prepared by the technical staff of the IFRS Foundation for discussion at a public meeting of 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 IASB.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretations Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in *IASB Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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Respondent type	Number of respondents	Percentage of respondents
Preparers	35	25%
Professional organisations - preparers	25	18%
Professional organisations – accounting	19	14%
National standard setter	18	13%
Regulators	11	8%
Accounting firm	9	6%
Individuals	8	6%
Investor/analyst/user	7	5%
Other	7	5%
Total	139	100%

Geographic region	Number of respondents	Percentage of respondents
Europe	69	50%
Asia Pacific excluding Australia/New Zealand	25	18%
Multinational	14	10%
Australia/New Zealand	13	9%
North America	13	9%
South America	3	2%
Africa	2	2%
Total	139	100%

5. For this paper, respondents' comments are summarized as follows:
- (a) Overall views (paragraphs 6 – 11)
 - (i) Conceptual basis for profit or loss and other comprehensive income
 - (ii) OCI items and reclassification
 - (b) Statement of profit or loss and other comprehensive income (paragraphs 12- 14)
 - (c) Continuous statement with two sections (paragraphs 15- 18)
 - (d) Presentation of items in OCI (paragraphs 19 - 22)
 - (e) Presentation of income tax (paragraphs 23 – 26)
 - (f) Benefits and costs (paragraphs 27 - 29)
 - (g) Responses to FASB exposure draft (paragraph 30)

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Overall views

6. Generally respondents agreed with the Boards proposals, except for the proposal to remove the current option in IAS 1 to present all items of income and expense in two statements.

Conceptual basis for profit or loss and other comprehensive income

7. Although respondents were not specifically asked to provide comment on the conceptual basis for determining what should be presented as part of profit or loss and what should be in other comprehensive income, a vast majority of them did so and recommended that the Board address the conceptual basis for OCI, and the principle of what constitutes performance. Such an analysis could then form the basis for how items should be allocated between profit or loss and OCI.
8. Respondents shared this view regardless of whether they agreed with or opposed the Board's proposals in general. The lack of a conceptual basis was also one of the main arguments used by those that opposed the proposal to require a continuous statement with two sections. Many respondents also agreed with the alternative view of Jan Engström or said that they found the arguments made there more compelling than the Boards arguments for the proposed changes to presentation.
9. Respondents also had different views on whether the Board should address this issue in the project on Financial Statement Presentation (FSP) or within the Conceptual Framework project. Many respondents also commented that this should be done jointly by the IASB and FASB.

OCI items and reclassification

10. Another issue that many respondents also provided comment on, without being specifically asked to do so, was on the subject of reclassification (recycling) of OCI items. These respondents say that in addition to addressing the conceptual basis for the split between profit or loss and OCI the Board must set principles

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as to which OCI items should be reclassified (recycled) to profit or loss and when they should be recycled.

11. A typical comment on these issues was as follows:

Whilst we do not object to the proposals in the ED, we would like to stress that the Board has not yet concluded on the fundamental principles of what constitutes performance, what represents Other Comprehensive Income (“OCI”) and the conceptual basis for whether items in OCI should or should not be recycled. The Board should continue to consider these issues as part of its Financial Statement Presentation project and the outcome of the ED should not in any way pre-empt the outcome of these discussions. Although the Board has chosen to limit the scope of the ED to OCI presentation matters, in our view it would have been preferable to address the broader conceptual issues related to performance and OCI and recycling in advance of addressing the presentation of OCI. (CL#93)

Statement of profit or loss and other comprehensive income (Question 1)

12. In the ED the Board proposed changing the title of the statement of comprehensive income to ‘Statement of profit or loss and other comprehensive income’ when referred to in IFRSs and its other publications. A majority of the respondents agreed with this proposal as it would provide a better description of the content of the statement. A typical comment on these issues was as follows:

We support the proposal to change the title of the statement showing all nonowners changes in equity to the ‘Statement of profit or loss and other comprehensive income’. The profit for the year is a key line which represents an important starting point for analysis and comparison, and this is clearer in the proposed title. (CL#88)

13. A few of the respondents agreeing with the Board’s proposal also urged the Board to remove the option to use other titles for this statement to improve consistency in presentation.
14. Those that opposed the change did not see any benefit from the change, felt the proposed title was too long or opposed mandating a continuous statement with two sections.

IASB Staff paper

Continuous statement with two sections (question 2)

15. If implemented, the ED proposals would require entities to present a statement of profit or loss and other comprehensive income with two sections—profit or loss and items of other comprehensive income. The Board stated that such an approach would provide more consistency in presentation and make financial statements more comparable.
16. A majority of the respondents disagreed with the proposal. These respondents say that the Board should keep the current option to present profit or loss and other comprehensive income either in one or two statements. Preparers and preparer organisations were the main proponents of this view. The main arguments used by these respondents are:
 - (a) that the Board should develop the conceptual basis for OCI before it makes further changes to presentation;
 - (b) making profit or loss (net income) a subtotal in a single statement will deemphasise its importance as the most relevant measure of performance; and
 - (c) this approach will be confusing to users as profit or loss (net income) will not be the bottom ‘line’ in the statement.
17. Two respondents also made reference to studies which they had undertaken regarding the presentation options currently used, which they say indicate a very limited use of the one statement approach.
18. The minority of respondents agreed with the Boards proposals and arguments for proposing this change. However, as already discussed they also say that the Board must develop the conceptual basis for OCI.

Presentation of items in OCI (question 3)

19. The exposure draft proposes to require entities to present items of other comprehensive income (OCI) that will be reclassified to profit or loss (recycled)

IASB Staff paper

in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss.

20. More than two thirds of the respondents agreed with this proposal. These respondents say that making this distinction between items that may and may not be reclassified (recycled) to profit or loss would provide users with better information about the effects these items may have on the entity's future profit or loss.
21. Many of these respondents still say that the Board must address the issues of recognition in profit or loss or OCI and reclassification and point out that there are both inconsistencies in this regard both within IFRSs and between IFRSs and US GAAP.
22. The small minority of respondents that disagreed with this proposal generally does that on the basis that a principle for OCI and reclassification should be developed before changes are made to presentation.

Presentation of income tax (question 4)

23. The ED also proposed requiring that income tax on items presented in OCI should be allocated between items that might be subsequently reclassified to profit or loss and those that will not be reclassified subsequently to profit or loss, if the items in OCI are presented before tax.
24. Most of the respondents agreed with this proposal as this would be in line with the current options in IAS 1 regarding presentation of income tax on OCI items.
25. Those that opposed this proposal mainly did that because they did not agree with the Board's proposal to make a distinction between the items that might be reclassified to profit or loss and those that will not be reclassified.
26. A few respondents also said that the presentation options for income should be eliminated to increase consistency in presentation.

IASB Staff paper

Benefits and costs (question 5)

27. The ED also asked for respondents view on costs and benefits of the proposal. The vast majority of respondents agreed with the Boards assessment that these proposals would not be costly to implement as all the information required should already be available. However, a few respondents said that there might however be costs that the Board had not considered. These are costs entities might incur communicating the effects of the proposed changes to users.
28. The Board's assessment of the benefits of the proposals, set out in the ED, was:
- (a) presenting all non-owner changes in equity in the same statement;
 - (b) improving comparability by eliminating options currently in IAS 1;
 - (c) maintaining a clear distinction between profit or loss and items of other comprehensive income; and
 - (d) improving clarity of items presented in OCI by requiring them to be classified into items that might be reclassified subsequently to profit or loss and items that will not be reclassified subsequently to profit or loss.
29. A majority of the respondents did not agree points (a) – (c), but most agreed with point (d).

Responses to FASB exposure draft

30. The FASB also had out for exposure similar but not identical proposals. The respondents to that ED had similar views on the common proposals (continuous statement with two sections and options to present income tax).