STAFF PAPER

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IASB Meeting

Project	**Conceptual Framework**		
Paper topic	Feedback summary: presentation in the statement of comprehensive income—profit or loss and other comprehensive income		
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Purpose of paper

1. This paper summarises the feedback received on Section 8 of the Discussion Paper *A Review of the Conceptual Framework for Financial Reporting* published in July 2013 (the DP). Section 8 discussed presentation in the statement of comprehensive income—profit or loss (P&L) and other comprehensive income (OCI).

2. This agenda paper provides a high level summary of the comments received. Where appropriate, we will provide a more detailed breakdown of the comments for future meetings.

Overview

3. Respondents expressed mixed views on most topics covered in Section 8 and related matters. The following key themes emerged:

   (a) Most respondents agreed that P&L should be required to be presented as a total or subtotal.

   (b) Many respondents disagreed with treating P&L as a default category and urged the IASB to define or better describe P&L and its purpose; however, only a few made suggestions as to how that might be done. No consensus view emerged.

(c) Respondents expressed a variety of views on recycling ranging from 'always recycle' to 'never recycle'. However, most respondents supported recycling for some, or all items included in OCI. Views expressed on recycling did not necessarily link to the categories identified by the DP.

(d) Respondents expressed a variety of views on items that could be included in OCI. Most respondents favoured—or could accept—Approach 2B in the DP (the 'broad' approach to OCI), although not necessarily for the reasons discussed or for the categories included in OCI under that approach. Instead, many of these respondents merely preferred a broad OCI or favoured flexibility in the use of OCI.

Structure of paper

4. The remainder of this paper is structured as follows:

(a) General comments (paragraph 5)

(b) P&L as a total or subtotal (paragraphs 6–27)

(c) Recycling (paragraphs 28-49)

(d) Approach to OCI (paragraphs 50-64).

General comments

5. Many respondents made general comments that were relevant to all the topics discussed in Section 8. The common themes were:

(a) Many respondents expressed the view that Section 8 requires further thought and analysis. Specifically, some thought that the distinction between P&L and OCI proposed in the DP was not sufficiently clear and conceptually robust and simply attempted to justify the existing requirements. Some urged the IASB to explore the broader question of financial performance and consider the topics in Section 8 in that context.

(b) Some respondents expressed views on where and when presentation of P&L and OCI and related matters should be addressed. Some believed those matters should be addressed in the Conceptual Framework, whereas others believed it is more appropriate to address those matters in the relevant Standards, such as a Standard on presentation of financial statements.

(c) Some respondents stated that measurement of assets and liabilities and presenting changes in measurement could not—and should not—be considered in isolation. Instead, the IASB should consider measurement of assets and liabilities from both the financial position and performance perspectives.

P&L as a total or subtotal

Background

6. The current Conceptual Framework does not discuss presentation of P&L as a total or subtotal, the distinction between P&L and OCI or the issue of recycling. The DP set out the following three approaches to those issues:

(a) Approach 1: prohibit recycling; no need for the Conceptual Framework to specify whether P&L should be presented as a total or subtotal. However, the IASB could decide in Standards-level projects whether totals or subtotals are needed.

(b) Approach 2A: ‘narrow’ approach to OCI; *all* items recognised in OCI are recycled to P&L; P&L is required to be presented as a total or subtotal. The recycling requirements are a consequence of the eligibility criteria under Approach 2A (discussed in paragraphs 52-53).

(c) Approach 2B: ‘broad’ approach to OCI; *some* items recognised in OCI are recycled to P&L; P&L is required to be presented as a total or subtotal.

7. Under all the approaches in the DP, P&L and OCI were seen as presentation notions.

8. The DP did not directly define or describe P&L. Instead, it proposed to describe the types of items that could be recognised in OCI. In other words, P&L was treated as a default category.

9. The DP acknowledged the view held by some that P&L should be defined directly and discussed the commonly suggested attributes of P&L vs OCI. The DP concluded that no attribute can be used in isolation to define what should be included in P&L.

10. The IASB's preliminary view was that the Conceptual Framework should require P&L as a total or subtotal. Under that view, P&L was seen as the primary indicator of an entity's performance—this is consistent with Approaches 2A and 2B and with the rejection of Approach 1.

11. The DP discussed, but did not define, financial performance. In describing financial performance, the DP referred to the existing Conceptual Framework, which implies that all items of income and expense are the result of an entity's financial performance and are included in total comprehensive income. Total comprehensive income is described by reference to changes in the entity's recognised assets and liabilities during the period.

12. The DP did not address whether financial performance should be presented in one or two statements—the DP noted that was a Standards-level issue and the IASB had no current plans to undertake a project on that issue [1].

Summary of feedback

Requiring P&L as a total or subtotal

13. Most respondents agreed that P&L should be required to be presented as a total or subtotal.

    (a) Many respondents agreed with the IASB's preliminary view that this requirement should be set out in the Conceptual Framework.

[1] IAS 1 *Presentation of Financial Statements* permits entities to present P&L and OCI in a single statement or two separate statements.

(b) Some respondents agreed in principle that P&L should be required as a total or subtotal, or stated they would not object to such a requirement; however, they thought that the IASB should—or could—include that requirement in the relevant Standard.

(c) Some respondents conditionally agreed with requiring P&L as a total or subtotal.

14. Respondents who agreed that the Conceptual Framework should require P&L as a total or subtotal largely did so for the reasons stated in the DP. Common themes included:

(a) Typically, respondents shared the view that P&L total or subtotal is a primary performance indicator that is deeply ingrained in the economy, in business and in investors' minds.

(b) Some noted that P&L served as an input in calculating important indicators such as earnings per share and price to earnings ratio, which in its turn served as an input to valuation models.

(c) Respondents expressed a variety of views as to *how* important P&L is as a measure of performance, with views ranging from a strong belief that P&L is the key—or even the only—measure of performance, to stating that P&L is 'first among equals' or equally as important as OCI.

(d) Some respondents expressed a view that the IASB had traditionally placed emphasis on the balance sheet, and requiring P&L as a total or subtotal would give more prominence to P&L, which they considered appropriate.

(e) Some stated that P&L as a performance indicator is most closely aligned to the entity's business model and results in useful information.

15. Respondents who advocated addressing presentation of a P&L total or subtotal *in a Standard* rather than in the Conceptual Framework typically did so because they believed that the Conceptual Framework is a long-term document that should set out only high level principles. Some stated that presentation of totals and subtotals was not a fundamental aspect of reporting and hence need not be addressed by the

Conceptual Framework. At most, such respondents believed the Conceptual Framework could acknowledge the relevance of a P&L total or subtotal.

16. Some respondents conditionally agreed with requiring P&L as a total or subtotal—typically they asked the IASB to define or better describe the meaning of various performance-related notions, such as financial performance, P&L and OCI, and to establish the objectives of these notions. These respondents argued it was inconsistent or inappropriate to require disclosure of an item that is not defined or described. Some pointed out that the IASB had eliminated the requirement to present a subtotal for operating income because that item was not defined. Other arguments typically raised by respondents as to *why* performance-related notions should be better described and suggestions as to *how* the IASB might approach describing them are discussed in paragraphs 22-26 and paragraph 59.

17. Except as discussed in the next paragraph, the views respondents took on requiring P&L as a total or subtotal did not depend on their views on recycling and on the scope of OCI. That is, as long as respondents did not advocate abandoning OCI altogether, they supported or could support presenting P&L as a total or subtotal, irrespective of how broad they believed OCI should be and regardless of whether they thought recycling was appropriate. Some respondents stated that P&L should be required as a total or subtotal even if there is no recycling, because P&L is an important performance measure.

18. Some respondents disagreed with presenting P&L as a total or subtotal. Typically they disagreed with, or challenged the need for, the distinction between P&L and OCI and advocated a single statement of performance and a different approach to disaggregation. They argued that alternative subtotals in a single statement of performance will serve users of financial statements better than P&L and OCI totals or subtotals. These respondents expressed a view that the arguments in the DP are circular and internally inconsistent. These respondents typically did not support recycling.

19. The bases for an alternative disaggregation suggested by those constituents included:

(a) subtotals relevant to an entity's *business model*;

(b) a multi-faceted disaggregation of comprehensive income based on the *predictive ability* of items of income and expense;

(c) subtotals based on *operating* results (for example subtotals for operating income before remeasurement, operating income with remeasurements that are part of operating results and OCI that includes all other remeasurements).

20. A few respondents stated that they were unable to conclude or comment on presenting P&L as a total of subtotal until the IASB explores the notion of financial performance and articulates the need and the conceptual basis for a distinction between P&L and OCI. Suggestions made in that regard are discussed in paragraphs 25-26 and paragraph 59.

21. Some respondents expressed views on performance presentation issues that were outside the scope of the DP. For example, some respondents thought that P&L should be a separate statement and should not be permitted to be included in the statement of total comprehensive income because P&L is far too important. Others thought that there should be a single statement of performance with P&L and OCI subtotals—or alternative subtotals discussed in paragraph 19. Some asked the IASB to undertake a project on presentation of financial statements.

Defining or describing performance metrics

22. As noted above, some respondents believed that the notion of financial performance should be explored and discussed in the Conceptual Framework. They believed that this notion is fundamental to the topics covered in Section 8 and would determine the need for a P&L total or subtotal, OCI and recycling as well as help to describe P&L and OCI. Some believed that the discussion of financial performance was also relevant to other topics in the Conceptual Framework, notably measurement. Other respondents stated that it was not necessary to describe financial performance beyond the definitions of income and expense.

23. Respondents expressed a variety of views on how financial performance is captured in P&L and OCI. Some believed that both P&L and OCI were performance indicators—and indeed not the only performance indicators. Others believed that P&L was a

primary—or even the only—measure of performance. Some viewed OCI as a change in a component of equity, not as part of performance.

24. Many respondents urged the IASB to define or describe P&L and disagreed with treating P&L as a default category. Some respondents expressed a view that P&L—and OCI—were *elements* of financial statements and should be defined as such. These views are further discussed in Agenda Paper 10C *Feedback summary: elements of financial statements and recognition*. Other respondents viewed P&L—and OCI—as presentation notions, but still believed they should be defined or better described. Respondents typically advocated a clearer articulation of P&L for the following reasons:

    (a) P&L is a primary measure of performance and should be clearly described to preserve its integrity and ensure comparability and consistency.

    (b) A clear description of P&L will help to describe the purpose and scope of OCI.

    (c) It is not appropriate for the IASB to require disclosure of an item that is not defined.

    (d) Proliferation of non-GAAP measures means that preparers and users of financial statements place less value on GAAP measures. Hence P&L needs to be better described.

25. Some respondents acknowledged the difficulty of defining P&L, and defining financial performance. However, most of them still believed that P&L should be defined, or at least described. Some of them argued that if the DP relies on the notion of relevance of items for P&L within the context of discussion of recycling, the IASB must have had an idea of what is relevant for P&L and hence should be able to better articulate it.

26. Some respondents provided suggestions as to how the IASB might approach developing the definition or description of P&L. A variety of views were expressed. Some common suggestions are outlined below:

(a) The definition or description of P&L should be developed with *user needs* in mind. Accordingly, the IASB should conduct additional research and outreach with users of financial statements.

(b) The definition and the content of P&L should reflect the entity's *business model*.

(c) There is an extensive body of *academic research* on this topic that the IASB should consider.

(d) The description of P&L should focus on a *single key attribute*. Most often respondents suggested realisation. Other common suggestions included predictive value, persistence or recurrence, certainty of measurement, or being within management control.

(e) No single attribute is sufficient to describe the content of P&L. However, *a combination of attributes*, such as those listed in Table 8.1 of the DP, could be a good starting point in describing P&L.

(f) The IASB should reintroduce the concept of *matching* income and expenses.

(g) P&L should reflect the *measurement* of assets or liabilities that is relevant for reporting performance. Respondents expressed diverse views as to whether, and if so how often, measurement on the statement of financial position and P&L should be aligned.

(h) P&L is an all-inclusive measure of *irreversible* outcomes.

(i) P&L is a measure of *management performance*.

(j) The IASB should establish the primary purpose of P&L—to reflect past performance, ie what has actually happened, or to assist in predicting future cash flows—and describe P&L within that context.

27. A few respondents supported treating P&L as a default category as per the DP. They believed that defining P&L was not appropriate—at least for the Conceptual Framework—or was not needed at all. Some expressed a view that it was not possible—or practical—for the IASB to attempt to define P&L, because of the

diversity of views on the topic and pointed out that decades of research and of other such attempts at definition have not yielded a satisfactory result. Some suggested identifying particular items that should be presented in OCI rather than P&L, such as actuarial gains and losses on employee benefits, 'own credit' risk and foreign exchange gains and losses on a foreign operation.

Recycling

Background

28. The DP argued that the questions of recycling and presentation of P&L as a total or subtotal are inextricably linked. This is because without recycling, P&L is not different in nature from other totals or subtotals.

29. The DP set out the IASB's preliminary view that the Conceptual Framework should permit or require at least some items of income and expense to be recycled—this is consistent with the IASB's preliminary view that a P&L total or subtotal should be required.

30. Under the narrow approach to OCI (discussed in paragraphs 51-53) *all* items recognised in OCI will ultimately be recycled. That happens when recycling results in relevant information in P&L; that is, it makes the return presented in P&L more understandable or enhances the predictive value of P&L.

31. Under the broad approach to OCI (discussed in paragraphs 51-55), recycling of items recognised in OCI will not always provide useful information. Accordingly, recycling takes place *when, and only when*, recycling results in relevant information.

32. The different recycling conclusions under the narrow and the broad approach in the DP are driven by the types of items included in OCI under those approaches and are discussed in the paragraphs noted above.

Summary of feedback

Overview and interaction with views on OCI and P&L

33. Most respondents agreed that items of income and expense recognised in OCI should be recycled to P&L, either always or at least sometimes. Some of those who believed recycling was *not always* appropriate stated that exceptions to recycling should be rare and would perhaps be best addressed in individual Standards. The most common example of such a rare exception was actuarial gains and losses on post-employment benefits.

34. Typically the views on recycling correlated with the views on P&L. That is, respondents who viewed P&L as the primary—or as an important—measure of performance, and who agreed with requiring P&L as a total or subtotal, tended to support recycling of all or at least some items recognised in OCI. Likewise, respondents who did not support the distinction between P&L and OCI did not think recycling was relevant. Some respondents could not conclude on P&L until the broad conceptual questions such as the meaning of 'performance' are addressed; those respondents did not take a view on recycling either.

35. In contrast, the views on recycling did not correlate with the views on the approach to OCI in the way envisaged by the DP. For example, some respondents who believed that OCI items should always be recycled—or nearly always, with rare exceptions—at the same time favoured a broad approach to OCI. At the same time, views on recycling often affected the views respondents took on OCI. This is further discussed in paragraphs 58 and 60.

36. Some respondents, regardless of their views on recycling, stated that recycling is best dealt with in individual Standards. Others believed that it is important—or critical—to address recycling in the Conceptual Framework.

Views on recycling and their rationale

37. Some respondents believed that all items recognised in OCI should be recycled. Some of them merely stated that they agreed with the arguments in the DP, while others offered the following arguments in support of their view:

(a) P&L is a *primary and all-inclusive performance measure*. All items of income and expense should ultimately be recognised in P&L.

(b) A consistent approach to recycling enhances *relevance, comparability and transparency of reporting*. It is conceptually sound and easy to understand and apply.

(c) Requiring recycling of all OCI items will ensure a *consistent approach by the IASB* when it revises or develops Standards.

(d) Over the long run, *total P&L must equal total cash flows*.

(e) All items of income and expenses should ultimately be reflected in *earnings per share*.

(f) *OCI is temporary* or transitory and is only needed to recognise timing differences. Hence at the appropriate point all items should be recognised in P&L.

(g) Any irrelevant '*noise' in OCI will automatically reverse over time*. Items that are not reversed automatically should be recycled.

(h) Recycling makes it easier to apply particular valuation models that assume '*clean surplus*' accounting that relies on capturing all changes in equity other than transactions with owners.

(i) Recycling of all OCI amounts is consistent with the approach taken in some *national GAAPs* and has been proved operational and understandable.

(j) Recycling of all OCI amounts will result in a *cost-based measurement reported in P&L*, which those respondents believed was appropriate.

(k) Recycling reflects the *effect of management actions* on the entity's performance, eg through realisation of gains and losses.

38. In addition, respondents who supported the *narrow approach to OCI* also typically supported recycling of all items recognised in OCI. As discussed in paragraph 53, they argued that unless recycling is appropriate, the item should not be recognised in OCI in the first place and therefore the population of items that should not be recycled

is null. Some respondents would also challenge the underlying measurement of assets and liabilities if such measurement could lead to non-recyclable amounts.

39. Some respondents believed that recycling was not always appropriate. However some of them tended to believe that recycling would be relevant and appropriate in most cases and should be established in the Conceptual Framework as a principle or as a presumption, with non-recycling allowed as an exception in rare cases, for example when:

   (a) recycling is inappropriate, ie it does not result in relevant information;

   (b) it is difficult to establish when recycling should take place;

   (c) recycling is impractical, or does not pass a cost-benefit test.

40. As stated above, the most common example suggested by respondents of when recycling was not appropriate was actuarial gains and losses on post-employment benefits. However, some stated that even in such cases a ‘practical’ approach to recycling could be adopted, such as through amortisation. Many respondents believed that the particular cases in which recycling was not appropriate should—or could—be addressed in individual Standards rather than in the Conceptual Framework.

41. Some respondents who supported recycling also commented on the arguments against recycling discussed in the DP as follows:

   (a) Some stated that recycling does not result in recognition of items of income and expense twice. For example, some stated that recycling is not recognition in P&L but a reclassification.

   (b) Some argued that arguments against recycling are not about recycling per se but rather against the use of OCI in the first place. Hence, if OCI is retained, recycling is appropriate.

   (c) Some acknowledged the arguments against recycling, such as complexity or difficulty in establishing the appropriate trigger point for recycling, yet believed that those reasons did not justify non-recycling.

   (d) Some argued that arguments against recycling could be addressed via disclosure.

42. Some respondents who supported recycling—of all or some items recognised in OCI—also commented on *when* OCI items should be recycled, for example:

(a) Some agreed that recycling should occur when it results in *relevant* information in P&L but pointed out that the IASB did not define when that would be the case.

(b) Some stated that items should be recycled when their economic effects are *realised*. Some did not elaborate on what 'realised' means; those who did so elaborate expressed mixed views. For example, some stated that all items recognised in OCI, with rare exceptions such as actuarial gains and losses, will ultimately be realised unless they automatically reverse over time. Others said OCI items are realised when the related remeasured asset is disposed of or liability is settled or impairment takes place—while others did not view impairment as realisation.

(c) Some believed items recognised in OCI should be recycled when *the reason for their exclusion from P&L no longer applies*.

(d) Some believed that whereas the requirement to recycle should be established in the Conceptual Framework as a principle, specific requirements as to when to recycle each particular type of item should be *addressed in individual Standards* rather than in the Conceptual Framework.

(e) Some respondents who suggested *other approaches* to describing P&L and OCI also addressed the timing of recycling within those other approaches. For example, items of income and expense should be recognised in P&L—and hence recycled if they have previously been deferred in OCI—when they can be attributed to the current period following the matching principle or when they meet the appropriate probability threshold.

43. Some respondents who supported recycling also specifically emphasised the need for disclosure and transparency. Some made specific suggestions as to how transparency could be enhanced, for example:

(a) Entities could be allowed to present P&L and earnings per share with and without recycling.

(b) Recycled amounts could be required to be presented outside of operating income. In that case operating income will provide a measure of recurring income.

(c) Recycled amounts should be disclosed and mapped to the relevant items on the statement of financial position.

44. A few respondents who generally supported recycling stated that in some cases in which recycling to P&L is not appropriate, such as pensions or cumulative translation adjustments on a foreign operation, OCI items should be reclassified directly to retained earnings or equity—or a portion of the item should be recycled and a portion reclassified to equity. Some of these respondents viewed OCI as part of equity rather than performance.

45. Finally, most respondents who supported recycling stated that items recognised in OCI *should* be recycled when that is appropriate. Others stated that recycling could be *permitted*.

46. Some respondents stated they are unable to conclude or comment on recycling—or indeed on the scope of OCI—until performance is defined and the purpose of OCI is established. Some of these respondents suggested that these questions should not be addressed in the Conceptual Framework.

47. A few respondents—mainly, but not only, those who did not support requiring P&L as a total or subtotal and advocated a single statement of comprehensive income—did not support or opposed recycling. Just as some respondents who generally supported recycling could accept—or supported—an exception for pensions, some of the respondents who did not support recycling could accept—or supported—an exception for cash flow hedges. Those who did not support recycling typically did so for the reasons set out in the DP—they typically argued that recycled items do not meet the definition of income and expense and do not enhance the relevance of P&L for the period.

48. Some respondents who did not support recycling provided comments or other suggestions as to how cash flow hedges can be addressed, or provided other comments, such as:

    (a) Recognise an asset or liability for firm commitments and highly probable forecast transactions.

    (b) Do not recognise—perhaps, instead, merely disclose—remeasurement until linked items are recognised.

    (c) Reclassify accumulated OCI directly to retained earnings rather than to P&L.

    (d) Address cash flow hedges at the individual Standard level as an exception to an overall principle of not recycling from OCI, or as a practical expedient.

    (e) Do not seek to accommodate cash flow hedges in the Conceptual Framework, because hedge accounting is an exception to recognition and measurement requirements.

49. A few respondents believed OCI items should either always or never be recycled. However, they recognised that it may be challenging for the IASB to arrive at such a consistent position, because of the diversity of views. One approach they suggested is that the IASB should not address those questions in the Conceptual Framework but deal with them in individual Standards.

Approaches to OCI

Background

50. The DP set out two approaches to identifying items that could be included in OCI—Approaches 2A and 2B—and their resulting approaches to recycling.

51. Both viewed P&L as the primary measure of financial performance and required P&L as a total or subtotal. The distinction between items included in P&L and OCI under those approaches was based on three principles:

(a) Principle 1 is the same under both approaches—it states that P&L is the primary source of information about the return in a period.

(b) Principle 2 is the same under both approaches—it states that income and expense should be recognised in P&L, unless recognising them in OCI enhances the relevance of P&L for the period; however, Approach 2B takes a broader view on how an item can be split between P&L and OCI.

(c) Principle 3 deals with recycling and is different—this is explained in paragraphs 53 and 55.

52. Under Approach 2A, the 'narrow' approach to OCI, two categories of items are eligible for recognition in OCI:

(a) **Bridging items**—the cumulative amount recognised in OCI represents the difference between the measurement of an asset or liability on the statement of financial position and the measurement used to determine the amounts presented in P&L (eg a portion of remeasurement of a debt investment measured at fair value through OCI under the upcoming completed version of IFRS 9 *Financial Instruments*).

(b) **Mismatched remeasurements**—items of income and expense that arise from remeasurement of an item within a set of linked items that are not all remeasured at the same time (eg remeasurement of a derivative that is used to hedge a forecast transaction).

53. Amounts recognised in OCI on bridging items and mismatched remeasurements would be recycled to P&L when recycling results in relevant information. For bridging items, this would occur at the point dictated by the measurement basis used to determine the amounts presented in P&L. For mismatched remeasurements, this would occur when the linked item also affects P&L—for example, in a cash flow hedge of a forecast transaction, when the forecast transaction occurs, or fails to occur. In other words, all items recognised in OCI are recycled under Approach 2A. It follows that unless recycling of the item in a subsequent period would result in relevant information, it should not be recognised in OCI.

54. Under Approach 2B, a 'broad' approach to OCI, in addition to bridging items and mismatched remeasurement, OCI would include a third category—**transitory remeasurements**. This category captures remeasurements with all of the following characteristics:

(a) they arise on long-term assets and liabilities;

(b) they are likely to reverse fully or significantly change over the holding period; and

(c) they enhance relevance of P&L for the period if partially or fully recognised in OCI.

55. Transitory remeasurements recognised in OCI under Approach 2B would be recycled to P&L *when, and only when*, recycling results in relevant information. In other words, items recognised in OCI under Approach 2B will *not always* be recycled. (However, all items identified as bridging items or mismatched remeasurements would be recycled as discussed under Approach 2A.) Approach 2B would give the IASB discretion to decide whether to use OCI if the criteria are met.

56. Items recognised in OCI under the existing Standards would also qualify for OCI under Approach 2B, but not all of them would qualify under Approach 2A. Some remeasurements recognised in P&L under the existing Standards could potentially qualify for OCI under the DP as bridging items or transitory remeasurements.

Summary of feedback

57. Overall, respondents expressed mixed views on the approaches to OCI, with most respondents supporting Approach 2B, although not necessarily for the reasons or categories discussed in the DP. For example, some respondents advocated Approach 2B with recycling of all items recognised in OCI. Generally, except for comments related to recycling, only a few respondents commented *specifically* on the principles and categories used in the DP to distinguish OCI items or elaborated on the implications for items included in P&L and OCI under the existing Standards. Those who did expressed mixed views. As noted in paragraph 5(a), many respondents asked

the IASB to better articulate the distinction between P&L and OCI, but few provided suggestions for how this should be done.

58. Respondents who supported—or could accept—Approach 2B typically did so for the following interrelated reasons:

(a) Approach 2B takes the most appropriate view on *recycling*—that is, items are recycled only when recycling provides relevant information. However, respondents who supported Approach 2B because of its recycling provisions expressed different views as to *when* recycling would be appropriate—ranging from always recycle with rare exceptions (such as actuarial gains and losses on post-employment benefits), to never recycle with rare exceptions (such as cash flow hedges).

(b) Approach 2B has a wider scope. Moreover, for items within that broader scope, it provides *more flexibility to the IASB* in deciding which items qualify for OCI and whether they should be recycled and also allows the IASB to use OCI more often.

(c) Approach 2B is consistent with the *current use of OCI in IFRS*, which has been tested and provides useful information—and is also consistent with the current IASB projects. One example of an item that could be reflected in OCI under Approach 2B that was most commonly raised by constituents—and sometimes was the key reason for the respondent to support Approach 2B—was actuarial gains and losses on post-employment benefits.

(d) Approach 2B includes *transitory remeasurements*, which indeed should be reported in OCI rather than in P&L, because those remeasurements do not enhance the relevance of P&L.

(e) Approach 2B takes a *broader view of splitting items of income and expense* between P&L and OCI. That is essential in particular cases.

(f) Approach 2B supports *P&L as a primary measure of performance* because items are recycled to P&L only when that enhances its relevance.

59. Some respondents supported Approach 2B with a variation to how that approach was expressed in the DP. Typically such respondents advocated a broader use of OCI but

believed that all—or no—OCI items should be recycled, or suggested their own articulation of the distinction between P&L and OCI. The most common suggestions included:

(a) using OCI as a 'link' between the performance measure of assets and liabilities reported in P&L and the measure reported on the statement of financial position; and

(b) using OCI to report some current remeasurements—without categorising those remeasurements.

60. Some respondents supported Approach 2A. Many of them came to that conclusion by looking at the same characteristics of Approach 2B that led other respondents to support Approach 2B. Specifically, respondents typically supported Approach 2A for the following reasons:

(a) Approach 2B provides no conceptual basis for the distinction and the use of OCI. Instead, it *merely attempts to justify current IFRS*.

(b) Approach 2B is too vague and too indefinite, especially the discussion of *transitory remeasurements*, and could open the door to inappropriately wide use of OCI.

(c) Approach 2B provides *too much flexibility* to the IASB in the use of OCI.

(d) All items recognised in OCI should be recycled. If recycling of a particular item does not provide *useful information*, that item should not be recognised in OCI.

(e) Approach 2A supports *P&L as a primary measure of performance* because it limits the use of OCI and requires all items recognised in OCI to be recycled.

(f) Approach 2A results in the *narrower use* of OCI, which was important for some respondents.

61. Respondents who supported Approach 2A expressed mixed views on the treatment of actuarial gains and losses. Some believed that actuarial gains and losses could be captured under Approach 2A—some suggested how that could be achieved (for

example, by capturing them under the concept of bridging items). Others stated that actuarial gains and losses should be recognised in P&L.

62. Some respondents did not support any approach in the DP or did not express a view. Typically those respondents stated that the distinction between P&L and OCI could not be made until the broader conceptual questions about the meaning of ‘performance’ and the purpose of OCI are addressed. Some respondents suggested alternative approaches to describing OCI, such as those described in paragraph 59.

63. Respondents who specifically commented on the principles and categories in the DP expressed mixed views. Some found the categories helpful, whereas others found them unnecessary and complex. Some respondents stated that the titles of the categories used in the DP are confusing. Some respondents agreed with the principles discussed in the DP whereas others found them vague and undeveloped.

64. Finally, a few respondents commented on the presentation of income and expense under current IFRS. For example, some thought it would be more appropriate to report changes in environmental obligations and investment property in OCI rather than P&L.