

International Financial Reporting Standards



Conceptual Framework Profit or loss and OCI

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

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Before we start...

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- You can download the slides by clicking on the button below the slides window
- This webinar is a recording (it is not live), so we are unable to take any questions
- The views expressed are those of the presenters, not necessarily those of the IASB or IFRS Foundation

Conceptual Framework webinar schedule

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Previously-recorded webinars

17 / 06	Overview of Conceptual Framework Exposure Draft
06 / 08	Chapter 4 and 5—the elements of financial statements: definitions and recognition
13 / 08	Chapter 4—a closer look at liabilities and executory contracts
20 / 08	Chapter 6—measurement

This webinar

27 / 08	Chapter 7—classification of income and expenses (profit or loss vs. OCI)
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Future webinars

03 / 09	Chapter 5—derecognition of assets and liabilities
10 / 09	Chapter 3—the reporting entity
17 / 09	Chapters 1 and 2—objectives and qualitative characteristics
24 / 09	Possible implications of the proposals—with provisions and contingent liabilities case study

Background

Proposals in the Exposure Draft

Examples of the current use of profit or loss and OCI

Timeline and further information

Current Conceptual Framework

- Very little guidance on reporting financial performance

Discussion Paper

- Profit or loss as a default location for income and expenses and a required total or subtotal
- Guidance on when income and expenses are reported in OCI
- At least some OCI items should be recycled

Feedback

- Support for profit or loss as a total or subtotal
- Guidance on financial performance is insufficiently developed
- Diverse views on the use of OCI and recycling

How the IASB is responding

- Exposure Draft proposes guidance for the IASB building on the suggestions in the Discussion Paper and feedback received
- Research project on primary financial statements

Proposals on presentation in profit or loss

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This statement is the primary, but not the only, source of information about an entity's financial performance in the period

Statement of profit or loss

	20X5	20X4
Revenue from customers	234,439	212,367
Cost of sales	(112,764)	(106,259)
...
Taxes	(21,546)	(20,587)
...
Profit (loss) for the year	18,897	16,763

Profit or loss is a required total or subtotal

Rebuttable presumption that income and expenses are included in profit or loss

Proposals on presentation in OCI

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Statement of comprehensive income		
	20X5	20X4
Profit (loss) for the year	18,897	16,763
Currency translation	68	(51)
FV adjustment cash flow hedging	(2,764)	6,259
...
Taxes	(215)	87
<i>Other comprehensive income for the year</i>	<i>(2,546)</i>	<i>4,253</i>
Total comprehensive income for the year	16,351	21,016

Income and expenses included in OCI only if that enhances relevance of profit or loss in the period

Presumption that income and expenses included in OCI in one period are subsequently included in profit or loss (recycled)

OCI only for some income and expenses from changes in current measures of assets and liabilities

OCI items are a source of information about performance for the period

Use of OCI in existing Standards – examples

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The table below has been developed by the staff for illustration only

	A change in a current measure of asset / liability?	Use of OCI enhances relevance of profit or loss?	OCI item is subsequently recycled to profit or loss?^
Effective portion of changes in fair value of cash flow hedging instruments*	✓	✓	✓
Remeasurement of debt investments measured at fair value through OCI*	✓	✓	✓
‘Own credit risk’ when fair value option is used for financial liabilities*	✓	✓	✗
Remeasurement of net defined benefit pension assets or liabilities	✓	?	✗

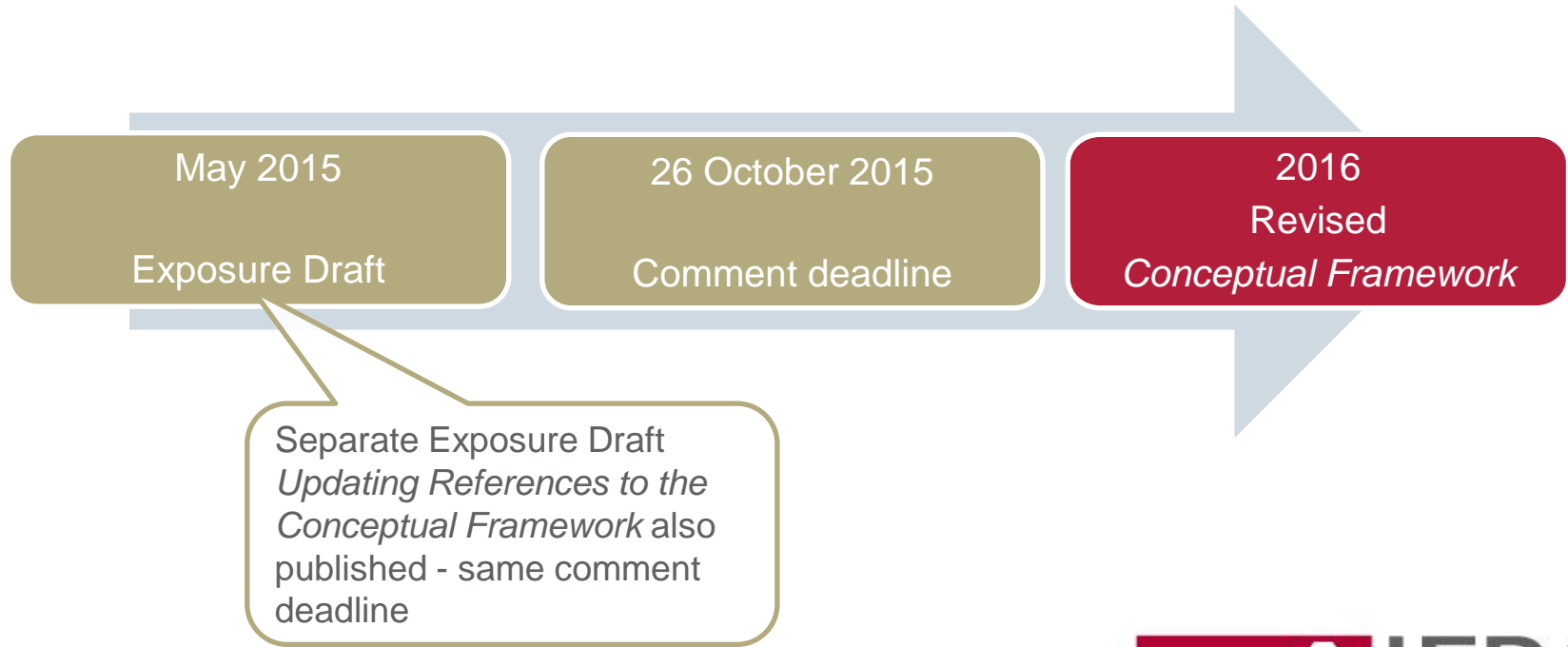
*In accordance with IFRS 9 *Financial Instruments*

^ie the proposed presumption on recycling is not rebutted

Use of profit or loss in existing Standards – examples

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	A change in a current measure of asset / liability?	Would use of OCI enhance relevance of profit or loss?	Could the item subsequently be recycled?
Remeasurement of investment property	✓	✗	✓
Remeasurement of long-term provisions (eg decommissioning, restoration and similar liabilities)	✓	?	✓
Remeasurement of biological assets	✓	?	?
Remeasurement of a liability in a cash-settled share-based payment transaction	✓	?	✓



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- Exposure Draft *Conceptual Framework for Financial Reporting*
<http://go.ifrs.org/ED-CF-May2015>
- Conceptual Framework website
<http://go.ifrs.org/Conceptual-Framework>
- Submit a comment letter
http://go.ifrs.org/comment_CF
- Snapshot
<http://go.ifrs.org/CFSnapshot2015>
- Register for email alerts
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