

**List of Submissions to ED 197** *Presentation of Items of Other Comprehensive Income -  
Proposed Amendments to IAS 1.*

- 1 Ian Langfield-Smith
- 2 DG & AB Maxwell – Consulting Accountants
- 3 Australasian Council of Auditors-General
- 4 HoTARAC
- 5 Grant Thornton
- 6 Representatives of the Australian Accounting Profession  
(CPA Australia, The Institute of Chartered Accountants in Australia and National  
Institute of Accountants)



**ED197 sub 1**

Ian Langfield-Smith FCPA  
Clifton Road  
Hawthorn East 3123  
Australia

22 July 2010

The Chairman  
Australian Accounting Standards Board

Dear Chairman

**ED 197: Presentation of Items of Other Comprehensive Income: Proposed amendments  
to AASB 101**

My comments on ED 197 are attached. It comprises the text of my submission to the IASB on ED. In my view there are no Australia-specific matters that require attention.

If you wish to discuss any of the issues raised in the submission, I can be contacted by email at [ian@company-accounting.com](mailto:ian@company-accounting.com).

Best wishes

Ian Langfield-Smith FCPA

Ian Langfield-Smith FCPA  
Clifton Road  
Hawthorn East 3123  
Australia

22 July 2010

The Chairman  
International Accounting Standards Board

Dear Chairman

**ED 2010-05: Presentation of Items of Other Comprehensive Income: Proposed  
amendments to IAS 1**

My comments on ED 2010-05 are attached.

If you wish to discuss any of the issues raised in the submission, I can be contacted by email at [ian@company-accounting.com](mailto:ian@company-accounting.com).

The formatting of the ED made it difficult for those with disabilities to access its content. In particular, the inability to crop the pages so that those with poor sight could upscale the page size from A5 to A4. In future, the Board must pay more attention to ensuring that its actions do not so disenfranchise those with disabilities. Such actions are probably contrary to law in many jurisdictions including the United Kingdom. If it happens again, I will have no option but to report the matter to the relevant authorities.

Best wishes

Ian Langfield-Smith FCPA

## Responses to questions asked by the Board

### Statement of profit or loss and other comprehensive income

#### Question 1

The Board proposes to change 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. Do you agree? Why or why not? What alternative do you propose?

The proposed title is both inaccurate and deceptive. The statement includes two measures of profit, not a measure of profit and a measure of income (which presumably has the same meaning as in the *Framework*). The term net income could be used to avoid this problem, however it fails to clearly indicate that the two measures being presented are both measures of profit, each of which is relevant to an assessment of an entity's financial performance. A more accurate, more understandable title would be 'Comprehensive Profit Statement' or 'Profit Statement'.

#### Question 2

The 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 believes this will provide more consistency in presentation and make financial statements more comparable. Do you agree? Why or why not? What alternative do you propose?

There should only be one statement. The current ability to present two statements provides preparers with an opportunity to misdirect the attention of financial report users. Indeed, we have seen widespread abuse of the current rules.

### Presentation of items of other comprehensive income

#### Question 3

The exposure draft proposes to require entities to present items of other comprehensive income (OCI) that will be reclassified to profit or loss (recycled) in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss. Do you support this approach? Why or why not? What alternative do you propose, and why?

The separation of such items would assist users of financial reports who may not always remember which items can give rise to reclassification adjustments and which items cannot.

#### Question 4

The exposure draft also proposes to require 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. Do you support this proposal? Why?

The proposal does not go far enough. The associated income tax for each category of other comprehensive profit should be disclosed. That is, the Profit Statement must disclose for each category of other comprehensive profit (i) the amount of the other comprehensive profit before income tax, (ii) the amount of the associated income tax expense (or income tax revenue) and (iii) the after income tax amount.

**Benefits and costs****Question 5**

In the Board's assessment:

- (a) the main benefits of the proposals are:
  - (i) presenting all non-owner changes in equity in the same statement.
  - (ii) improving comparability by eliminating options currently in IAS 1.
  - (iii) maintaining a clear distinction between profit or loss and items of other comprehensive income.
  - (iv) 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.
- (b) the costs of the proposals should be minimal because in applying the existing version of IAS 1, entities must have all the information required to apply the proposed amendments. Do you agree with the Board's assessment? Why or why not?

I agree with the assessment of these issues made by the Board. The cost of compliance would be effectively zero. It merely results in a slightly different presentation of information currently being disclosed.

**Other comments****Question 6**

Do you have any other comments on the proposals?

**1** *Comments on drafting of proposed amendments***Paragraph 10**

The open-ended discretion as to the name given to the statement is unacceptable. The name given to the statement must reflect the nature of the information contained in the statement and must be, in no way, misleading. As drafted, preparers could call the statement "Statement of Meaningless IASB Garbage".

**Proposed paragraph 82A**

It is unclear why the disaggregation required by subparagraph (a) should not also be made in subparagraph (b). One would think that the information is equally relevant.

**Paragraph 91**

It is improper to present the items net of income tax. If the distinction between items affecting period profit or loss and those affecting other comprehensive profit is to be meaningful, full disclosure of the income tax related to each component of other comprehensive profit must be made in the comprehensive profit statement.

**2** *Need to ensure equal prominence of 'period profit or loss' and 'comprehensive profit'*

Provisions must be added so that preparers cannot detract from the importance of either period profit or loss or comprehensive profit. I suggest that the following wording be used to achieve this outcome.

In the Statement of Profit or Loss and Other Comprehensive Income, equal prominence must be given to the amounts for (i) the period profit or loss and (ii) the comprehensive income.

Such a requirement will ensure neutrality in the presentation of the required information.

**Presentation of Items of  
Other Comprehensive Income**

**Submission by**

**DG & AB MAXWELL  
Consulting Accountants**



## INTRODUCTION

Our firm provides specialist financial and administration consulting services solely to Local Government throughout Australia. Our senior principal, David Maxwell, is a Fellow of the Institute of Chartered Accountants and an Associate of Local Government Managers Australia with over 30 years experience as Local Government Auditor, Principal Accounting Officer, Chief Executive Officer and Consultant.

Under the name Coalface Software Solutions - who supply a range of spreadsheet templates to assist Council officers in the preparation of the Annual Financial Statements - we have been contracted by the Local Government Association of South Australia to prepare the Model Financial Statements for use by Councils in that State. Coalface Software Solutions prepares Annual Financial Statements template formats to comply with legislative and reporting requirements for New South Wales, Northern Territory and South Australian Councils.

Coalface Software Solutions sponsors the NSW Annual Financial Statements Award presented by the NSW LGMA Financial Professionals Group, judged by nominees of the NSW Local Government Auditors Association, Finance Professionals Group and Coalface Software Solutions.

Our comments are directed principally in relation to Local Government. There are no matters that we request be treated in a confidential manner.

## IMPLEMENTATION OF THE REVISION OF AASB 101

Local governments in the New South Wales, Queensland, South Australian, Victorian and Western Australian jurisdictions, in complying with the Australian Accounting Standards, are also required to comply with codes and model statements prepared for their jurisdiction. The other jurisdictions - Northern Territory and Tasmania - have no special formatting requirements, although many individual Councils base their presentation on those of another jurisdiction.

The codes, etc. currently authorised are - NSW: *Code of Accounting Practice and Financial Reporting, update #18*; Queensland: *Tropical Statements 2009/10*; South Australia: *Model Statements 2010*; Victoria: *Model Statements 2010*; Western Australia: *Local Government Accounting Manual*<sup>1</sup>.

The purpose of this section is to report the various presentations adopted in the codes, etc. of the different jurisdictions to reflect the recent revision of AASB 101.

New South Wales - separate Income Statement and Statement of Comprehensive Income.

Queensland - single Statement of Comprehensive Income combining Income Statement and *other comprehensive income*.

South Australia - single Statement of Comprehensive Income combining Income Statement and *other comprehensive income*.

Victoria - single Comprehensive Income Statement combining Income Statement and *other comprehensive income*.

---

1. Not updated for the revision of AASB 101, but third party templates embodying the changes are in use and are acceptable to the Department.



Western Australia - single Statement of Comprehensive Income combining Income Statement and other comprehensive income.

## RESPONSES TO IASB QUESTIONS

Question 1 - The Board proposes to change 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. Do you agree? Why or why not? What alternative do you propose?

The proposed new title is unwieldy and unnecessary. However, as the ability to adopt a different title is retained, this is of no significance.

Question 2 - The 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 believes this will provide more consistency in presentation and make financial statements more comparable. Do you agree? Why or why not? What alternative do you propose?

We concur with this proposal.

Question 3 - The exposure draft proposes to require entities to present items of other comprehensive income (OCI) that will be reclassified to profit or loss (recycled) in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss. Do you support this approach? Why or why not? What alternative do you propose, and why?

In principle, we concur with this proposal. However, the proposal lacks specificity and consistency. In particular we refer to the use of the term "*will be reclassified*" in this question and questions 4 and 5, in proposed paragraph 82A and in paragraph BC25 of the Basis for Conclusions, and the term "*may be reclassified*" in questions 4 and 5, the illustrative financial statements, in paragraphs BC7(b) & BC25 of the Basis for Conclusions.

Although we are not aware of any particular items where an option exists<sup>2</sup>, the Board must make clear the required basis of classification of any that do exist.

Question 4 - The exposure draft also proposes to require 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. Do you support this proposal? Why or why not? What alternative do you propose and why?

General purpose local government entities in Australia are not subject to income taxation and the question is therefore irrelevant to a local government environment. However, on the grounds of consistency, we concur with this proposal.

---

2. An option exists in relation to the transfer of the revaluation credit on derecognition of property, plant and equipment (see AASB 116 *Property, Plant and Equipment* paragraph 41, but this transfer is direct between asset revaluation reserve and retained earnings).



Question 5 - In the Board's assessment:

- (a) the main benefits of the proposals are:
  - (i) presenting all non-owner changes in equity in the same statement.
  - (ii) improving comparability by eliminating options currently in IAS 1.
  - (iii) maintaining a clear distinction between profit or loss and items of other comprehensive income.
  - (iv) 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.
- (b) the costs of the proposals should be minimal because in applying the existing version of IAS 1, entities must have all the information required to apply the proposed amendments. Do you agree with the Board's assessment? Why or why not?

We concur with this assessment. In particular, we support the view implicit in paragraph BC14 of the Basis for Conclusions that presenting total comprehensive income as the last number in the statement should not be confusing.

For the purposes of the calculation of certain performance ratios relating to financial sustainability, all local government jurisdictions exclude certain income and expense items, particularly those relating to grants and subsidies received specifically for the construction of property, plant and equipment and assets received for no or nominal cost. (Unfortunately, the detailed definitions of items excluded varies between jurisdictions.) Local governments, therefore, have had experience with the situation where the last number on the statement of profit and loss is not regarded as most important. This experience indicates that users can readily adjust to this situation.

Question 6 - Do you have any other comments on the proposals?

We note that the *other comprehensive income* sections of both illustrative examples show *items never to be reclassified to profit or loss before items that may be reclassified subsequently to profit or loss*. We submit that this order should be reversed, so that the Statement of Comprehensive Income will display in sequence

- (i) items that are included in profit or loss in this reporting period,
- (ii) items that may be reclassified to profit or loss in some future reporting period, and
- (iii) items that will never be reclassified to profit and loss.

We submit that our suggested sequence is more logical.

## AASB SPECIFIC MATTERS FOR COMMENT

The AASB would particularly value comments on whether:

- (a) there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:
  - (i) not-for-profit entities; and
  - (ii) public sector entities – including in relation to GAAP/GFS harmonisation under AASB 1049 Whole of Government and General Government Sector Financial Reporting. If you



think the proposals would have implications for GAAP/GFS harmonisation, how do you think those implications should be dealt with in the context of the principles in AASB 1049?

- (b) overall, the proposals would result in financial statements that would be useful to users; and
- (c) the proposals are in the best interests of the Australian and New Zealand economies.

We are not aware of regulatory or other issues that would cause difficulty in adopting these proposals in the codes etc. applicable to local government in the several jurisdictions. Indeed, as we have shown, for most jurisdictions the only change would be the separation of *other comprehensive income* into the two new component sub-headings.

As AASB 1049 does not currently apply to local governments, there are no relevant matters to report.

We shall be pleased to supply any further information that you may require.







2 August 2010

Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
Victoria 8007

Dear Mr Stevenson

**EXPOSURE DRAFT ED 197 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME**

Attached is the Australasian Council of Auditors-General (ACAG) response to the requested specific comments in Exposure Draft referred to above.

I have also attached a copy the ACAG response to the IASB on Exposure Draft 2010/5 - Presentation of Items of Other Comprehensive Income.

The views expressed in this submission represent those of all Australian members of ACAG.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S O'Neill', with a horizontal line underneath.

Simon O'Neill  
**Chairman**  
**ACAG Financial Reporting and Auditing Committee**

## ED 197 - Presentation of Items of Other Comprehensive Income

### AASB Specific Matters for Comment

The AASB has requested specific comments on whether:

- (a) **there are any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**
- (i) **not-for-profit entities; and**
  - (ii) **public sector entities – including in relation to GAAP/GFS harmonisation under AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. If you think the proposals would have limitations for GAAP/GFS harmonisation, how do you think those implications should be dealt with in the context of the principles in AASB 1049?**

#### ACAG Comment:

ACAG notes that entities would still be allowed to use alternative titles for the statement, and present additional line items, headings and subtotals in the statement when such alternatives are relevant to an understanding of the entity's financial performance. However, ACAG is concerned that any excessive use of additional headings and subtotals may confuse users of the financial statements, particularly when entities attempt to comply with the presentation requirements of AASB 101 and the requirements of distinguishing 'transactions' and 'other economic flows' as contained within AASB 1049.

- (b) **overall, the proposals would result in financial statements that would be useful to users; and**

#### ACAG Comment:

We believe that the proposals outlined in the exposure draft would result in financial statements that are useful to users as they should eliminate the inconsistent presentation of other comprehensive income items.

ACAG acknowledges that the IASB will endeavour to remove the inconsistent identification of items of other comprehensive income as part of their broader project on the presentation of financial statements. A key objective of this broader project would be to provide preparers and auditors with a conceptual basis and additional guidance on the types of items that should be classified as other comprehensive income.

- (c) **the proposals are in the best interests of the Australian and New Zealand economies.**

#### ACAG Comment:

The proposals are in the best interests of the Australian and New Zealand economies as they would result in greater comparability of financial statements on a global scale, particularly considering that the US Financial Accounting Standards Board (FASB) has issued proposals requiring a similar presentation.

The proposed amendments should also improve the ability of users to understand the financial reporting of entities by presenting, in the same statement, all non-owner changes in equity.



AUSTRALASIAN  
COUNCIL OF  
AUDITORS-GENERAL

---

2 August 2010

Sir David Tweedie  
Chairman  
International Accounting Standards Board  
1<sup>st</sup> Floor  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sir David

**EXPOSURE DRAFT ED/2010/5 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME**

Attached is the Australasian Council of Auditors-General (ACAG) response to the Exposure Draft referred to above.

The views expressed in this submission represent those of all Australian members of ACAG.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S O'Neill', is written over a horizontal line.

Simon O'Neill  
**Chairman**  
**ACAG Financial Reporting and Auditing Committee**

**cc: Mr Kevin Stevenson, Chairman, Australian Accounting Standards Board**

## ED/2010/5 - Presentation of Items of Other Comprehensive Income

### Question 1

**The Board proposes to change 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. Do you agree? Why or why not? What alternative do you propose?**

#### ACAG Comment:

ACAG agrees with the proposal to change the title of the existing statement of comprehensive income, and acknowledges that entities would still be allowed to use alternative titles.

### Question 2

**The 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 believes this will provide more consistency in presentation and make financial statements more comparable. Do you agree? Why or why not? What alternative do you propose?**

#### ACAG Comment:

We agree with the proposals to present a statement of profit or loss and other comprehensive income with two sections in one continuous statement, thereby eliminating the alternative permitted by current IAS 1 to present a separate income statement. The current practice of allowing entities to choose to present items in other comprehensive income in a separate statement can make it difficult for users to understand what the two statements purport to represent and how they interact with each other.

ACAG is of the view that such a proposal would provide greater consistency in presentation because there will be no presentation alternative, however, we do have concerns that such an approach may provide users with an undue focus on the bottom line of the single statement, even though the proposals endeavour to maintain a clear distinction between items presented in profit or loss and items presented in other comprehensive income. To alleviate any undue focus on the bottom line of the single statement, ACAG recommends that IAS 1 be amended to include a requirement of presenting totals and sub-totals in the ‘Statement of Profit or Loss and Other Comprehensive Income’ that reflects the relative importance of those totals and sub-totals to the users of the financial statements. We also note that the term ‘comprehensive’ has been the subject of recent debate, particularly when comprehensive income results in a perceived prominence over profit or loss.

Nevertheless, ACAG agrees with the Board’s conclusion that it is important that all income and expenses that are components of the total non-owner changes in equity should be presented together.

### Question 3

**The exposure draft proposes to require entities to present items of other comprehensive income (OCI) that will be reclassified to profit or loss (recycled) in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss. Do you support this approach? Why or why not? What alternative do you propose, and why?**

ACAG Comment:

ACAG is of the view that the recycling proposals would provide users with a better understanding of the effect that items of other comprehensive income may have on an entity's future profit or loss.

**Question 4**

**The exposure draft also proposes to require 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. Do you support this proposal? Why or why not? What alternative do you propose and why?**

ACAG Comment:

If an entity chooses to present items in other comprehensive income before tax, ACAG supports the proposal to require income tax to be allocated between items that may and items that may not be subsequently reclassified to profit or loss because such information will be of benefit to users of the financial statements.

**Question 5**

**In the Board's assessment:**

- (a) **the main benefits of the proposals are:**
- (i) **presenting all non-owner changes in equity in the same statement.**
  - (ii) **improving comparability by eliminating options currently in IAS 1.**
  - (iii) **maintaining a clear distinction between profit or loss and items of other comprehensive income.**
  - (iv) **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.**
- (b) **the costs of the proposals should be minimal because in applying the existing version of IAS 1, entities must have all the information required to apply the proposed amendments.**

**Do you agree with the Board's assessment? Why or why not?**

ACAG Comment:

Subject to our comments above, ACAG agrees with the Board's assessment of the benefits of the proposals and that the costs of the proposals should be minimal.

In addition, the proposals would assist users in understanding how other comprehensive income items may potentially affect profit or loss in subsequent reporting periods.

ACAG is of the view that the proposal to apply the amendments to IAS 1 retrospectively would not result in undue cost or effort to entities as the changes outlined in the exposure draft do not provide for any new requirements.

## Question 6

### Do you have any other comments on the proposals?

#### ACAG Comment:

To promote comparability of financial statements, ACAG believes that the Board should remove the options with respect to the presentation of related income tax on items of other comprehensive income, thereby eliminating the 'net of related tax effects' option. ACAG's preferred approach should eliminate divergence in practice and therefore promote the consistent presentation of financial statements. In addition, the costs associated with presenting the tax effects on a 'gross basis' should be minimal compared to the alternative option of presenting information 'net of related tax effects'.

ACAG's preferred approach would be for the Board to require the presentation for income tax on related items of other comprehensive income on a gross basis, thereby disclosing a line item that aggregates the amounts of related income tax on items of other comprehensive income that may be reclassified to profit or loss, and a line item for related income tax on other comprehensive income items that may not be subsequently reclassified to profit or loss.

In addition, ACAG recommends that the Board fast-track their project on the presentation of financial statements and principles to determine the criteria for inclusion of items in profit or loss or in other comprehensive income. This will provide preparers, auditors and users of financial statements with a conceptual basis and additional guidance on the types of items that may be classified as other comprehensive income.

ACAG notes that the term 'components' was replaced with 'items' at paragraph 91 of IAS 1. However, this amendment has not been consistently applied throughout the exposure draft. For example, the term 'components' was evidenced at paragraph 91(b), IG1, the illustrative examples and throughout the basis for conclusions.

Department of Treasury and Finance



Tasmania

The Treasury Building  
21 Murray Street, HOBART, Tas 7000  
GPO Box 147, HOBART, Tas 7001 Australia  
Telephone: (03) 6233 3100 Facsimile: (03) 6223 2755  
Email: [secretary@treasury.tas.gov.au](mailto:secretary@treasury.tas.gov.au) Web: [www.treasury.tas.gov.au](http://www.treasury.tas.gov.au)

Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins St West  
MELBOURNE VIC 8007

Dear Mr Stevenson

**AASB EXPOSURE DRAFT 197 PRESENTATION OF ITEMS OF OTHER  
COMPREHENSIVE INCOME**

The Heads of Treasuries Accounting and Reporting Advisory Committee welcomes the opportunity to provide comments to the Australian Accounting Standards Board on Exposure Draft 197 *Presentation of Items of Other Comprehensive Income*.

The majority of HoTARAC members support the proposed changes to the Statement of Comprehensive Income and believe that the change in title to the Statement of Profit or Loss and Other Comprehensive Income will clarify the content of the Statement. HoTARAC also considers the requirement to present a single Statement with two sections: profit or loss and other comprehensive income will provide more consistency in presentation, make financial statements more comparable and potentially lead to more objective consideration in classifying changes in net assets.

Conceptually, while HoTARAC supports the changes to the presentation of other comprehensive income, HoTARAC believes more consideration needs to be given to the conceptual basis for determining what items should be presented in other comprehensive income.

HoTARAC supports the proposal to require entities to present items of other comprehensive income that will be reclassified to profit or loss in subsequent periods separately from items of other comprehensive income that will not be reclassified to profit or loss.

Comments by HoTARAC on the Exposure Draft and AASB specific matters are provided in Attachment 1.

If you have any queries regarding HoTARAC's comments, please contact Peter Gibson from the Australian Department of Finance and Deregulation on (02) 6215 3551.

Yours sincerely



D W Challen

**CHAIR**

**HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE**

29 July 2010

Encl

Contact Amy McShane  
Phone: (03) 6233 3411  
Our Ref 10/95436 AM/DJC

**ED 197 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME  
AASB SPECIFIC MATTERS FOR COMMENT**

**a) Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals, particularly any issues relating to:**

**I. Not-for-profit entities; and**

**II. Public sector entities – including in relation to GAAP-GFS harmonisation under AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. If you think the proposals would have implications for GAAP-GFS harmonisation, how do you think those implications should be dealt with in the context of the principles in AASB 1049?**

HoTARAC believes that there will be no significant impact relating to GAAP-GFS harmonisation under AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Under AASB 1049, all amounts relating to items included in the determination of the comprehensive result are classified as transactions or other economic flows, consistent with the principles in the ABS GFS Manual, Paragraph 30. A minority of HoTARAC members do not consider that incorporating GAAP oriented sub-headings into an AASB 1049 presentation format that focuses on GFS concepts is entirely logical, as the concept of “recycling” does not exist under GFS. Further, these members believe the additional sub-headings would clutter an already over-crowded Statement, particularly where discontinued operations are also presented.

Due to these concerns, a minority of HoTARAC members do not believe this additional detail should be mandated on the face of a Statement of Profit or Loss and Other Comprehensive Income prepared under AASB 1049. Instead, they propose that the option be given to disclose this additional detail in the notes to that Statement.

**b) Overall, would the proposals result in financial statements that would be useful to users;**

HoTARAC believes that the proposals will result in financial statements that would be useful to users, particularly the disaggregation of other comprehensive income into items which can be reclassified and items which cannot be reclassified into profit or loss. HoTARAC considers this disaggregation is important given current Projects on AASB 119 *Employee Benefits* and AASB 9 *Financial Instruments*.

**c) Are the proposals in the best interests of the Australian and New Zealand economies?**

No comment.

## IASB SPECIFIC MATTERS FOR COMMENT

**Question 1: The Board proposes to change 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. Do you agree? Why or why not? What alternative do you propose?**

The majority of HoTARAC members agree with the Board's proposal to change the title of the "Statement of Comprehensive Income" to the "Statement of Profit or Loss and Other Comprehensive Income". The majority of HoTARAC members believe this title will clarify the content of the Statement and overcome any perception issues as noted in BC21.

A minority of HoTARAC members question the effectiveness of changing the title of the Statement due to the retention of the option to use other titles as currently permitted by IAS 1/AASB 101 *Presentation of Financial Statements*.

**Question 2: The 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 believes this will provide more consistency in presentation and make financial statements more comparable. Do you agree? Why or why not? What alternative do you propose?**

HoTARAC supports the proposal to present a continuous Statement, displaying two sections: profit or loss and other comprehensive income and thereby eliminating the option to present all items of income and expense recognised in a period in two statements. HoTARAC agrees with the Board's view that the change will provide more consistency in presentation and make financial statements more comparable.

Conceptually, HoTARAC believes that both profit or loss and other comprehensive income are part of the performance of the entity for the period. Presenting all non-owner changes in equity in a single Statement ensures that users of financial statements can assess the overall performance of the entity.

**Question 3: The exposure draft proposes to require entities to present items of OCI that will be reclassified to profit or loss (recycled) in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss. Do you support this approach? Why or why not? What alternative do you propose, and why?**

HoTARAC supports the proposal, to present separately, items of other comprehensive income, that will not be reclassified to profit or loss, from those that may be recycled to profit or loss in a subsequent period. HoTARAC believes that the proposal will increase clarity and usefulness of information presented in the financial statements. HoTARAC also understands the importance of the presentation of items of other comprehensive income on IASB Projects such as amendments to IAS 19/AASB 119 *Employee Benefits* and IFRS 9/AASB 9 *Financial Instruments*.

However, HoTARAC considers that the IASB needs to review the recycling rules and provide guidance at a conceptual level as to which items will be recycled and which items will not be recycled, and to develop some consistency across Standards.

Further to the above comments, HoTARAC notes some inconsistency in language used throughout the ED to describe what items are recyclable in a subsequent period. The requirement in proposed Paragraph 82A refers to whether the items "will be reclassified subsequently to profit or loss when specific conditions are met". However, other wording throughout the document implies that management has a choice about whether or not items are subsequently reclassified to profit or loss. For example:

- Question 4 refers to items that might be subsequently reclassified to profit or loss;
- Question 5(a)(iv) and Paragraphs 91, BC7(c), BC25 and BC35(d) refer to items that might be reclassified subsequently to profit or loss; and
- Paragraph BC7(b)(i) refers to items that might be reclassified to profit or loss in subsequent periods.

HoTARAC therefore recommends that all such references that remain in the eventual Standard be re-worded to precisely align to the Paragraph 82A requirement.

**Question 4: The exposure draft also proposes to require 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. Do you support this proposal? Why or why not? What alternative do you propose and why?**

HoTARAC agrees with the proposal to require income tax on items presented in other comprehensive income to be allocated between items that might be reclassified to profit or loss and those that will not be reclassified subsequently to profit or loss, if the items in other comprehensive income are presented before income tax.

HoTARAC considers that this proposal is necessary, due to the proposed separation of other comprehensive income into items that can and cannot be reclassified to profit or loss. HoTARAC supports the retention of the existing presentation alternatives for the tax effects of items of other comprehensive income.

In addition to the proposals above, HoTARAC believes it may also be useful to include the total amount of income tax. For example, this could be included as a footnote to "Total comprehensive income", stating "this includes xxx amount of income tax".

**Question 5: In the Board's assessment:****(a) The main benefits of the proposal are:**

- Presenting all non-owner changes in equity in the same statement
- Improving comparability by eliminating options currently in IAS 1.
- Maintaining a clear distinction between profit or loss and items of OCI.
- 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.

**(b) The costs of the proposals should be minimal because in applying the existing version of IAS 1, entities must have all the information required to apply the proposed amendments.****Do you agree with the Board's assessment? Why or why not?**

HoTARAC agrees with the Board's assessment.

**Question 6: Do you have any other comments on the proposals?**

While HoTARAC understands this Project is focused on the presentation of items of other comprehensive income, HoTARAC believes more consideration needs to be given to the conceptual basis for determining whether an item should be presented in other comprehensive income (refer also to HoTARAC's previous suggestion in Question 3). HoTARAC believes this conceptual basis should be located in IAS 1 *Presentation of Financial Statements*.

**Editorial Matters**

For clarity, HoTARAC recommends that Paragraph 83(b) be amended to read "total comprehensive income for the period ..."

Paragraph 139G refers to having added Paragraph 81A and deleted Paragraph 81. However, the amendment has actually been presented as a replacement of Paragraph 81 (refer also to the reference to Paragraph 81 in Paragraph BC7(a)).

*Illustrative Financial Statement Structure*

A line item towards the bottom of the first example should be amended to read "Income tax relating to other comprehensive income".

Footnote (a) should be amended to read "This means the share of associates' profit attributable to owners of the associates ..."



Mr Kevin Stevenson  
 Chairman  
 Australian Accounting Standards Board  
 PO Box 204  
 Collins Street  
 WEST VICTORIA 8007  
 By Email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

3 August 2010

Grant Thornton Australia Limited  
 ABN 41 127 556 389

Level 17, 383 Kent Street  
 Sydney NSW 2000  
 PO Locked Bag Q800  
 QVB Post Office  
 Sydney NSW 1230

T +61 2 8297 2400  
 F +61 2 9299 4445  
 E [info.nsw@grantthornton.com.au](mailto:info.nsw@grantthornton.com.au)  
 W [www.grantthornton.com.au](http://www.grantthornton.com.au)

Dear Kevin

#### **INVITATION TO COMMENT ON ED 197/IASB ED 2010/05 PRESENTATION OF OTHER COMPREHENSIVE INCOME (IAS 1)**

Grant Thornton Australia Limited (Grant Thornton) is pleased to provide the Australian Accounting Standards Board with its comments on ED 197 which is a re-badged copy of the International Accounting Standards Board's (the Board) ED/2010/05 (the ED). We have considered the ED and set out our comments below.

Grant Thornton's response reflects our position as auditors and business advisers both to listed companies and privately held companies, and public and private businesses, and this submission has benefited with some initial input from our clients, Grant Thornton International which is working on a global submission to the IASB, and discussions with key constituents.

The views expressed here are very preliminary in nature, given that the IASB's deadline is 30 September 2010, some 8 weeks after the AASB's deadline. We suggest that the AASB would benefit in allowing Australian constituents the opportunity of debating the proposals with their local and global constituents with a more realistic deadline of say 4 weeks before the IASB's deadline which has generally been the practice of the AASB to date. We note that the AASB is seeking comments on three IASB EDs over the next 2 weeks (ED 195 Defined Benefit Plans due 9 August AASB and 6 September IASB; ED 197 OCI due 2 August AASB and 30 September IASB; and ED 199 due 16 August AASB and 7 September IASB). Grant Thornton's global submission will be finalised by the IASB's due date of 30 September 2010.

Our main comments and suggestions on the issues raised in the ED are summarised below.

#### **General Comments** **Support for the proposed amendments**

We have yet to consider all the implications of the proposed amendments, however from a broad perspective we support the proposals as they should make it easier for users to

understand the relationship between the profit or loss as opposed to the other generally more comprehensive volatile and valuation adjustments. In particular allowing the title change to reflect the term 'profit or loss' does reflect what users are looking for, and allowing a combined statement with two distinct sections for 'profit/loss' and then other times makes sense.

The proposal that non recycled items are segregated along with non-owner changes in equity does simplify the structure of the all important profit/loss number which users take as a key component of the entity's performance.

#### **Non-Publicly Accountable Entities**

We note that the IASB has not indicated whether it will amend the existing requirements for non-publicly accountable entities.

Grant Thornton does not believe that at this time AASB 101/LAS 1 should apply to non-publicly accountable entities and hence the proposals contained in the ED are not ones that we believe should be relevant. Adoption of IFRS recognition and measurement principles which the AASB believes necessitates an increase in disclosures compared to IFRS for SMEs, does add significant complexity and costs that would not be borne by similar structured overseas entities.

If you require any further information or comment, please contact me.

Yours sincerely

GRANT THORNTON AUSTRALIA LIMITED



Keith Reilly

National Head of Professional Standards

6 August 2010

Mr Kevin Stevenson  
 Chairman  
 Australian Accounting Standards Board  
 PO BOX 204  
 Collins Street West VIC 8007

Email: [standard@asb.gov.au](mailto:standard@asb.gov.au)

Dear Kevin

### ED 197 Presentation of Items of Other Comprehensive Income

Thank you for the opportunity to comment on the proposed amendments released in ED 197 *Presentation of Items of Other Comprehensive Income: proposed amendments to AASB 101* that replicates the proposals of the International Accounting Standards Board's (IASB) ED 2010/5. CPA Australia, the Institute of Chartered Accountants in Australia and the National Institute of Accountants (the Joint Accounting Bodies) have considered the exposure draft and our comments follow.

The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

The Joint Accounting Bodies support the proposals as outlined in the exposure draft, namely:

- to require a statement of profit or loss and other comprehensive income containing two distinct sections – profit or loss and items of other comprehensive income; and
- a presentation approach for other comprehensive income that clearly distinguishes between individual line items of other comprehensive income that will be 'recycled' through the profit and loss at a later stage and those items that will never be recognised in profit or loss.

While the Joint Accounting Bodies are supportive of the exposure draft as a pragmatic approach to performance reporting and the increasing use of OCI in other standards, as indicated in other submissions we have made, we remain concerned about the lack of conceptual justification for 'other comprehensive income'. This concern is also expressed in the alternative views expressed on this exposure draft by Mr Engstrom. We would like to see the conceptual framework project of the IASB and the Financial Accounting Standards Board agree the purpose of other comprehensive income, the attributes that distinguish profit or loss items from other comprehensive income items and the status of recycling gains or losses to profit or loss.

Our detailed comments in response to the AASB's questions are attached, as is our submission to the IASB.

Representatives of the Australian Accounting Profession



[cpaaustralia.com.au](http://cpaaustralia.com.au)



The Institute of  
Chartered Accountants  
in Australia


[charteredaccountants.com.au](http://charteredaccountants.com.au)



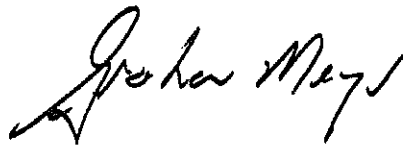
[nia.org.au](http://nia.org.au)

If you require further information on any of our views, please contact Mark Shying, CPA Australia via email [mark.shying@cpaaustralia.com.au](mailto:mark.shying@cpaaustralia.com.au), Kerry Hicks, the Institute via email [kerry.hicks@charteredaccountants.com.au](mailto:kerry.hicks@charteredaccountants.com.au) or Tom Ravlic, the National Institute of Accountants by email [tom.ravlic@nia.org.au](mailto:tom.ravlic@nia.org.au).

Yours sincerely



Alex Malley  
Chief Executive Officer  
CPA Australia Ltd



Graham Meyer  
Chief Executive Officer  
Institute of Chartered  
Accountants in Australia



Andrew Conway  
Chief Executive Officer  
National Institute of  
Accountants

## **Appendix: Responses to the AASB's Questions**

**1. Are there any regulatory issues or other issues arising in the Australian environment that may affect the implementation of the proposals relating to:**

- a. not-for-profit entities; and
- b. public sector entities – including in relation to GAAP/GFS harmonisation under AASB 1049 Whole of Government and General Government Sector Financial Reporting. If you think the proposals would have implications for GAAP/GFS harmonisation, how do you think those implications should be dealt with in the context of the principles in AASB 1049?

The Joint Accounting Bodies are not aware of any regulatory issues or other issues arising in the Australian environment that would affect the implementation of the proposals. We understand that some public sector entities are concerned that the face of the financial statement as required by AASB 1049 will be crowded as a result of the proposal. As the IASB proposes to require the componentisation of other comprehensive income to be presented on the face of the financial statement we encourage the AASB to require the same of all entities.

**2. Would, overall, the proposals result in financial statements that would be useful to users?**

The Joint Accounting Bodies believe that users would welcome the proposal.

**3. Are the proposals in the best interests of the Australian and New Zealand economies?**

The Joint Accounting Bodies believe that the proposals are in the best interests of the Australian and New Zealand economies.

6 August 2010

Sir David Tweedie  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Via iasb website: [www.iasb.org](http://www.iasb.org)

Dear Sir David

### **Presentation of Items of Other Comprehensive Income**

Thank you for the opportunity to comment on the proposed amendments released in ED 2010/5 *Presentation of Items of Other Comprehensive Income: proposed amendments to IAS 1*. CPA Australia, the Institute of Chartered Accountants in Australia (the Institute) and the National Institute of Accountants (the Joint Accounting Bodies) have considered the exposure draft and our comments appear below.

The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

The Joint Accounting Bodies support the proposals as outlined in the exposure draft namely:

- to require a statement of profit or loss and other comprehensive income containing two distinct sections – profit or loss and items of other comprehensive income; and
- a presentation approach for other comprehensive income that clearly distinguishes between individual line items of other comprehensive income that will be 'recycled' through the profit and loss at a later stage and those items that will never be recognised in profit or loss.

While the Joint Accounting Bodies are supportive of the exposure draft as a pragmatic approach to performance reporting and the increasing use of OCI in other standards, as indicated in other submissions we have made, we remain concerned about the lack of conceptual justification for 'other comprehensive income'. This concern is also expressed in the alternative views expressed on this exposure draft by Mr Engstrom. We would like to see the conceptual framework project of the IASB and the Financial Accounting Standards Board agree the purpose of other comprehensive income, the attributes that distinguish profit or loss items from other comprehensive income items and the status of recycling gains or losses to profit or loss.

Our response to matters on which specific comment is requested is included in the attached Appendix.

**Representatives of the Australian Accounting Profession**



[cpaaustralia.com.au](http://cpaaustralia.com.au)



The Institute of  
Chartered Accountants  
in Australia

[charteredaccountants.com.au](http://charteredaccountants.com.au)



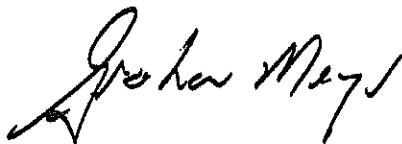
[nia.org.au](http://nia.org.au)

If you require further information on any of our views, please contact Mark Shying, CPA Australia via email [mark.shying@cpaaustralia.com.au](mailto:mark.shying@cpaaustralia.com.au), Kerry Hicks, the Institute via email [kerry.hicks@charteredaccountants.com.au](mailto:kerry.hicks@charteredaccountants.com.au) or Tom Ravlic, the National Institute of Accountants by email [tom.ravlic@nia.org.au](mailto:tom.ravlic@nia.org.au).


Yours sincerely



Alex Malley  
Chief Executive Officer  
CPA Australia Ltd



Graham Meyer  
Chief Executive Officer  
Institute of Chartered  
Accountants in Australia



Andrew Conway  
Chief Executive Officer  
National Institute of  
Accountants

## Appendix: Responses to specific questions raised by the IASB

**Question 1: The Board proposes to change 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. Do you agree? Why or why not? What alternative do you propose?**

While the Joint Accounting Bodies agree with the change of title as it describes the nature of the statement, it is noted that this change in title of one of the key financial statements is one of several that has occurred in the past decade (counting IASB changes as well as changes introduced by national standard setters). Such changes are a common source of frustration amongst practitioners and preparers of financial statements. The Joint Accounting Bodies therefore caution against further change to the nomenclature of the financial statements in the short to medium term.

**Question 2: the 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 believes this will provide more consistency in presentation and make financial statements more comparable. Do you agree? Why or why not? What alternative do you propose?**

The Joint Accounting Bodies agree with this proposal. We support consistent presentation of financial statements across entities required to comply with IFRS. There is little sense in permitting other approaches if comparability is the objective being sought in this instance.

**Question 3: the exposure draft proposes to require entities to present items of other comprehensive income that will be reclassified to profit or loss in subsequent periods upon de-recognition separately from items of OCI that will not be reclassified to profit or loss. Do you support this approach? Why or why not? What alternative do you propose, and why?**

The Joint Accounting Bodies believe that the understandability to users of the information provided in the financial statements will be enhanced as a result of using a presentation approach for other comprehensive income that clearly allows users to distinguish between individual line items of other comprehensive income that will be 'recycled' through the profit and loss at a later stage and those items of other comprehensive income that will never be recognised in profit or loss improves.

However, the Joint Accounting Bodies note the dissenting remarks of one Board member related to absence of a comprehensive conceptual underpinning for the contents of this standard. While the Joint Accounting Bodies are of the view that it is less than ideal, it is critical at this time to provide users with the ability to distinguish between the different elements of other comprehensive income given the recent decisions of the IASB to require more items to be presented in other comprehensive income.

**Question 4: the exposure draft also proposes to require 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. Do you support this proposal? Why or why not? What alternative do you propose and why?**

Nothing has come to the attention of the Joint Accounting Bodies that would lead the Joint Accounting Bodies to object to this proposal.

**Appendix: Responses to specific questions raised by the IASB (cont)**

**Question 5: In the Board's assessment:**

**The main benefits of the proposals are:**

- **Presenting all non-owner changes in equity in the same statement;**
- **Improving comparability by eliminating options currently in IAS 1;**
- **Maintaining a clear distinction between profit or loss and items of other comprehensive income; and;**
- **Improving clarity of items presented in OCI by requiring them to be classified into times that might be reclassified subsequently to profit or loss and times that will not be reclassified subsequently to profit or loss.**

**The costs of the proposals should be minimal because in applying the existing version of IAS 1, entities must have all the information required to apply the proposed amendments.**

**Do you agree with the Board's assessment? Why or why not?**

The IASB's decisions in this exposure draft are pragmatic and are aimed at facilitating comparability and providing clearer guidance on presentation of financial statements. This is notwithstanding the absence of a completed framework against which to evaluate the Board's proposals. The Joint Accounting Bodies support the proposals.

**Question 6: do you have any other comments on the proposals?**

The Joint Accounting Bodies have no further comments on the matter.