

Presentation of Items of Other Comprehensive Income: Tier 2 Proposals

Adverse comments to AASB by 5 December 2011



Australian Government

**Australian Accounting
Standards Board**

Background on Australian Accounting Standards

AASB 1053 *Application of Tiers of Australian Accounting Standards* establishes a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:

- (a) Tier 1: Australian Accounting Standards; and
- (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements (RDR).

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

In June 2011, the International Accounting Standards Board (IASB) published *Presentation of Items of Other Comprehensive Income: Amendments to IAS 1*. The amendments to IAS 1 require entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). As noted in paragraph IN19 of the IASB document, the amendments do not change the option to present items of OCI either before tax or net of tax. However, if the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately.

Consistent with its policy of adopting International Financial Reporting Standards (IFRSs), in September 2011 the AASB published AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income*.

ANALYSIS OF PROPOSED DISCLOSURES

AASB 2011-9 includes the disclosures required by the IASB in *Presentation of items of Other Comprehensive Income: Amendments to IAS 1*. AASB 2011-9 modifies some disclosure requirements in Australian Accounting Standards, including AASB 101, without substantially affecting their nature. Other disclosure requirements in AASB 101 are new. The new and substantively modified disclosure requirements included in AASB 2011-9 are reproduced in the Appendix to this Exposure Draft.

The AASB's conclusions in relation to proposed Tier 2 disclosure requirements in this Exposure Draft have been reached after applying its usual approach to the analysis of the disclosures required in AASB 2011-9 compared with disclosures set out in the IASB's *IFRS for SMEs* and application of the 'Tier 2 Disclosure Principles'. Those principles are available on the AASB website under [Work in Progress/Reduced Disclosure Requirements](#).

Paragraph 82, paragraph 82A and paragraph 91 contain new or substantively modified disclosure requirements that were not included in the requirements of IAS 1 at the time *IFRS for SMEs* was issued. The disclosure required by paragraph 82, paragraph 82A and paragraph 91 satisfies the information needs of users in regard to disaggregation of amounts presented in the financial statements. The benefit to users of information required by these paragraphs would be expected to exceed the cost to the entities of disclosing that information. Based on paragraph 3(a) of the 'Tier 2 Disclosure Principles', applying the 'user need' and 'cost-benefit' principles to new disclosure requirements, the AASB proposes that paragraph 82, paragraph 82A and paragraph 91 be retained in the Tier 2 disclosure requirements. Accordingly, there is no shading of the proposed disclosures identified in the Appendix to this Exposure Draft.

If you disagree with the AASB's view, please identify the disclosure you believe should be excluded from Tier 2 disclosure requirements, including the reasons why such disclosure should be excluded.

Invitation to Comment

The AASB invites comments from constituents who hold a different view to be sent to:

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West Victoria 8007
AUSTRALIA
E-mail: standard@aasb.gov.au

Any comments should be submitted to the AASB by 5 December 2011.

Appendix

Additional Disclosures Required by AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income

Information to be Presented in the Statement of Comprehensive Income Profit or Loss Section or the Statement of Profit or Loss

82 ~~As a minimum~~ In addition to items required by other Australian Accounting Standards, the profit or loss section or the statement of comprehensive income-profit or loss shall include line items that present the following amounts for the period:

- (a) revenue;
- (b) finance costs;
- (c) share of the profit or loss of associates and joint ventures accounted for using the equity method;
- (d) tax expense;
- (e) [deleted by the IASB] a single amount comprising the total of:
 - (i) the post tax profit or loss of discontinued operations and
 - (ii) the post tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation;
- (ea) a single amount for the total of discontinued operations (see AASB 5).
- (f)-(i) [deleted by the IASB]
- (f) profit or loss;
- (g) each component of other comprehensive income classified by nature (excluding amounts in (h));
- (h) share of the other comprehensive income of associates and joint ventures accounted for using the equity method; and
- (i) total comprehensive income.

Information to be Presented in the Other Comprehensive Income Section

82A The other comprehensive income section shall present line items for amounts of other comprehensive income in the period, classified by nature (including share of the other comprehensive income of associates and joint ventures accounted for using the equity method) and grouped into those that, in accordance with other Australian Accounting Standards:

- (a) will not be reclassified subsequently to profit or loss; and
- (b) will be reclassified subsequently to profit or loss when specific conditions are met.

...

91 An entity may present ~~items~~ components of other comprehensive income either:

- (a) net of related tax effects; or
- (b) before related tax effects with one amount shown for the aggregate amount of income tax relating to those ~~items~~ components.

If an entity elects alternative (b), it shall allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to the profit or loss section.