

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.

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.

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.