

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)



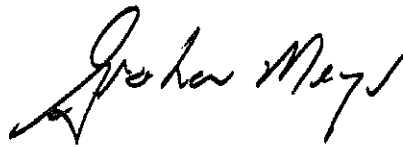
[nia.org.au](http://nia.org.au)

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

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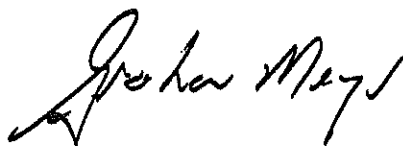
[nia.org.au](http://nia.org.au)

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



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## 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.