



20 September 2010

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

*(By online submission only)*

Dear Sir,

**RESPONSE TO EXPOSURE DRAFT ON PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME (PROPOSED AMENDMENTS TO IAS 1)**

The Accounting Standards Council (ASC) appreciates the opportunity to comment on the Exposure Draft (ED) on Presentation of Items of Other Comprehensive Income (Proposed amendments to IAS 1) issued by the International Accounting Standards Board (IASB) in May 2010.

Broadly, we are supportive of the IASB's efforts on the financial statement presentation project which is aimed to improve financial reporting. However, we think that the ED proposals only serve to fine-tune the "form" of presentation of items of OCI, without addressing the "substance" of the fundamental conceptual issues of measurement and recognition of OCI items. Specifically, the IASB has not addressed the following issues:

- The characteristics of other comprehensive income (OCI) items and the types of items that should be presented in OCI;
- The role of OCI in the context of measuring and reporting an entity's performance;

- The content of performance statements; and
- The notion of recycling and when OCI items can or cannot be recycled to profit or loss in subsequent periods.

Without a clear conceptual basis of what OCI is, we are concerned that the OCI classification could become a convenient place to “warehouse” contentious items that would traditionally have been recognised in profit and loss. Furthermore, we noted the trend on the use of OCI seems to have widened on an incremental basis, such as in the recent changes to IFRS 9 *Financial Instruments* and proposed amendments to IAS 19 *Employee Benefits*. IASB should take a holistic view of how the changes in accounting standards interact with how the market assesses performance and address the inconsistencies with performance measures in other standards such as IAS 33 Earnings per share, which is still measured using net profit, rather than total comprehensive income. It might be premature to eliminate the two-statement option before a thorough conceptual consideration of the nature of OCI and its implications for performance evaluation. We recommend that it is of utmost importance that IASB fast track its project that addresses issues relating to the notion of performance reporting so as to truly bring significant improvement to the quality of financial reporting.

Our comments on the specific questions to the ED are as follows:

### **Question 1 - Statement of profit or loss and other comprehensive income**

**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? (Reference: Paragraph 10, BC21)**

We do not object to the proposal as it is more reflective of the content of a single statement of profit or loss and other comprehensive income. In any case, entities are also permitted to use alternative titles if deemed to be more appropriate for their circumstances.

## **Question 2 - Statement of profit or loss and other comprehensive income**

**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? (Reference: Paragraph 12, 81, BC17-BC19)**

We do not object to the proposal to require the presentation of a single statement of profit or loss and other comprehensive income, but we do not think that this will result in significant improvement to the comparability of financial statements as this only addresses the “form” and not the “substance” of performance reporting. It might be premature to eliminate the two-statement option before a thorough conceptual debate on what items should be presented as OCI takes place. (We refer you to our detailed comments set out in the cover note.)

## **Question 3 - Presentation of items of other comprehensive income**

**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? (Reference: Paragraph 82A, BC25 and BC26)**

We agree with the proposal which requires disaggregation of OCI items into recyclable and non-recyclable groups. However, we reiterate that only when the issue of OCI items which can or cannot be recycled to profit or loss in subsequent periods is meaningfully addressed by IASB will the proposed disaggregation of OCI translate to more decision-useful information for the users. (We refer you to our detailed comments on the fundamental conceptual issues in the cover note.)

#### **Question 4 - Presentation of items of other comprehensive income**

**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? (Reference: Paragraph 91, BC27-BC29)**

Consistent with Question 3, we agree with the proposal. This is also consistent with the current IAS 1 requirements to disclose the amount of income tax relating to each component of OCI.

#### **Question 5 - Benefits and costs**

**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? (Reference: Paragraph BC32-BC36)**

(a) (i) to (iii) We refer you to our response to Question 2 - essentially while we do not object to the ED proposals, we do not think that this will result in significant improvement in the comparability of financial statements and the distinction between profit or loss and OCI items as in our view the proposals will only address the "form" rather than the "substance" of performance reporting.

(a) (iv) We agree that the proposals add clarity to items presented in OCI.

(b) We agree.

### **Question 6 - Other comments**

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

Other than our comments in the cover note, we propose the following editorial changes for greater clarity and consistency in the ED:

- In paragraph 83(b) of the ED, we propose to replace “comprehensive income” with “profit or loss and other comprehensive income” to make the wording consistent with the proposed changes to the title of a single statement.
- In the illustrative example on the classification of expenses within profit or loss by nature (page 16 of the ED), we propose to amend the header from “Statement of comprehensive income” to “Statement of profit or loss and other comprehensive income” so as to be consistent with the ED proposals. We also propose to amend footnote (a) from “share of associates’ other comprehensive income” to “share of associates’ profit or loss”, so as to be consistent with the content in the main statement in the illustration itself.

We hope that our comments will contribute to the IASB’s deliberation on this ED. Should you require any further clarification, please contact me or the project manager Chionh Chia Chia at [chionh\\_chia\\_chia@acra.gov.sg](mailto:chionh_chia_chia@acra.gov.sg). Thank you.

Yours faithfully,

Dexter Tan  
Secretary, Accounting Standards Council