



Accounting Standards Board

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www.frc.org.uk/asb



Françoise Flores
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3 August 2010

Dear Françoise

EFRAG draft comment letter on the IASB ED/2010/5 *Presentation of Items of Other Comprehensive Income – Proposed amendments to IAS 1*

I am responding on behalf of the UK Accounting Standards Board (ASB) to EFRAG's draft comment letter on the IASB Exposure Draft ED/2010/5 *Presentation of Items of Other Comprehensive Income – Proposed amendments to IAS 1*.

We agree with EFRAG that:

- the IASB has not made a convincing argument for proceeding with a separate exposure draft on this issue ahead of a more comprehensive, principled review of the role and components of other comprehensive income (or relevant progress with the conceptual framework). In this regard the ASB agrees with the alternative view of Jan Engström set out in paragraphs AV3 and AV4 of ED/2010/05. We also consider it disappointing that this does not appear to be within the scope of the 'main project' on financial statement presentation and therefore there is no commitment to reviewing this¹; and
- the improvements in financial reporting are likely to be minimal—but conversely we do not believe the proposals will reduce the quality of financial reporting either.

At this time, the ASB does not share EFRAG's opposition to a single performance statement; indeed the ASB proposed a similar change to UK accounting standards in 2000. We agree that an entity's financial performance cannot be adequately assessed by reference solely to total comprehensive income, and we welcome the IASB's

¹ FASB/IASB staff summary of tentative decisions to date.

statement in BC20 that there are no plans to eliminate profit or loss as a measure of performance. In addition, users indicate that it is a range of the line items/sub-totals in the performance statement that provide decision-useful information and these will continue to be available under these proposals.

Our response to the IASB on this ED is attached for your information.

If you would like to discuss any of these comments, please contact Jenny Carter on 020 7492 2421 or myself on 020 7492 2434.

Yours sincerely



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Jon Baldurs
International Accounting Standards Board
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3 August 2010

Dear Jon

IASB ED/2010/5 Presentation of Items of Other Comprehensive Income – Proposed amendments to IAS 1

This letter sets out the comments of the UK Accounting Standards Board (ASB) on the IASB Exposure Draft ED/2010/5 Presentation of Items of Other Comprehensive Income – Proposed amendments to IAS 1.

The ASB, generally supports the notion of a single performance statement, and notes that users indicate that it is a range of the line items/sub-totals in that statement that provide decision-useful information, not necessarily the bottom line; in this regard the ASB welcomes the IASB's statement in BC20 that there are no plans to eliminate profit or loss as a measure of performance.

In our view:

- the improvements in financial reporting arising from this ED are likely to be minimal, although we do not think the proposals will reduce the quality of financial reporting; however
- the IASB has not made a convincing argument for proceeding with a separate exposure draft on this issue ahead of a more comprehensive, principled review of the role and components of other comprehensive income (or relevant progress with the conceptual framework). In this regard the ASB agrees with the alternative view of Jan Engström set out in paragraphs AV3 and AV4. It is disappointing that this does not appear to be within the scope of the 'main project' on financial statement presentation and therefore there is no commitment to reviewing this.

The attached appendix sets out responses to the questions posed in the ED. If you would like to discuss any of these comments, please contact Jenny Carter on 020 7492 2421 or myself on 020 7492 2434.

Yours sincerely

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Chairman, ASB

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Appendix: Responses to questions set out in the ED

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?

1. Whilst changing the non-mandatory titles of the primary statements has little fundamental purpose, the ASB supports this proposal as consistent with the IASB's previous amendments and it is possible that it will improve understanding of the purpose of the 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?

2. The ASB is not convinced that the Board's proposals will have any significant impact on the consistency and comparability of financial statements; in that sense the case for change is not compelling. However, generally the ASB supports the idea of a single performance statement and notes that, contrary to the ASB's earlier feedback and expectations, users responding to the Board's Discussion Paper did not seem wedded to the use of two performance statements, and therefore the ASB supports the 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?

3. The ASB agrees with this proposal, which should provide decision-useful information to users of financial reports to aid in their assessment of potential future profits and losses.

Question 4

The exposure draft also proposes to require that income tax on items presented in the OCI should be allocated between items that might subsequently [be] 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?

4. The ASB agrees that this proposal is a logical extension of the existing requirements of IAS 1 to the proposal to present those items that will and will not be recycled separately.

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 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?

5. We agree that the costs of the proposals should be minimal. However, in our view that is not enough to justify undertaking a project that is likely to result in minimal benefits, and as a result we would not have supported this aspect of the overall project on financial statement presentation being pursued as a separate exposure draft.
6. Whilst the statements in question 5(a)(i) to (iii) appear true, we are not convinced that the proposals for a single performance statement will lead to anything more than minimal practical changes in reporting because distinctions already exist between items of profit or loss and

other comprehensive income. However, we agree that the statement in question 5(a)(iv) will provide benefits in helping users to make assessments about future profit or loss items.

Question 6

Do you have any other comments on the proposals?

7. We have no further comments to add.