The IASB Presentation of Items of Other Comprehensive Income: an Analysis of Comment Letters

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The IASB Presentation of Items of Other Comprehensive Income: An Analysis of Comment Letters

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IASB and FASB
• The International Accounting Standards Board (IASB) is responsible for development and publication of International Financial Reporting Standards (IFRSs)
• IFRSs are used in countries worldwide to guide financial reporting
• Financial Accounting Standards Board (FASB) is United States equivalent of IASB

FSP Stages
• Phase A: revisions to IAS 1 Presentation of Financial statements – completed
• Phase B:
  • 1. Replacement of IAS 1 and IAS 7
  • 2. Discontinued Operations
  • 3. Presentation of Other Comprehensive Income**
• Phase C: presentation and display of interim financial information
**focus of this thesis

Presentation of Other Comprehensive Income (OCI)
• Aimed to address lack of distinction of items in OCI, lack of clarity in presentation
• Project process:
  • Exposure Draft – May 2010
  • Comment Period – May 2010 – September 2010
  • Amendments to IAS 1 Presentation of Financial Statements issued July 2011, effective July 2012

Exposure Draft Description
• Scope: "proposes limited amendments to IAS 1 regarding the presentation of items contained in Other Comprehensive Income (OCI) and their classification within OCI"
• 4 major proposals for constituents to comment on:
  1. new title - ‘Statement of profit or loss and other comprehensive income'
  2. single statement of comprehensive income
  3. separation of items in OCI – recycled to Profit/Loss vs. non-recycled
  4. income tax allocation between recycled vs. non-recycled items

Constituent Feedback

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Need for Conceptual Basis
• Almost every letter called for the Boards to have a discussion over the principles and concepts that define Other Comprehensive Income

Board Conclusions
Q1: IASB decided not to require single statement, so title change was irrelevant
Q2: IASB decided not to require single statement – retained option to choose
Q3: IASB confirmed proposals – items in OCI will be grouped based on whether they may be reclassified subsequently to profit or loss
Q4: IASB confirmed proposals – income tax on items in OCI should also be allocated based on reclassification status