

4-18-2012

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

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Recommended Citation

Seager, Katherine E., "The IASB Presentation of Items of Other Comprehensive Income: an Analysis of Comment Letters" (2012). *Stander Symposium Posters*. Book 149.
http://ecommons.udayton.edu/stander_posters/149

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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

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

Financial Statement Presentation (FSP) Project

- Joint project undertaken to “establish a global standard that will guide the organization and presentation of information in the financial statements”
- Goal is to enhance usefulness of information
- IASB has undertaken FSP project in 3 stages:

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

Constituent Feedback

	Q1	Q2	Q3	Q4
Support	66	59	93	83
Do not Support	40	70	29	27
Combo	29	7	1	0
Did not mention	4	3	16	29
Total	139	139	139	139

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