



July 15, 2010

Via website posting: <http://www.iasb.org/>

Re: Exposure Draft Comment (ED/2010/5) - **Presentation of Items of Other Comprehensive Income Proposed amendments to IAS 1**

Dear Sir/Madam:

The Certified General Accountants Association of Canada (CGA-Canada) welcomes the opportunity to comment on the Exposure Draft: **Presentation of Items of Other Comprehensive Income Proposed amendments to IAS 1** (ED/2010/5). We believe that the issuance of this ED will expedite improvements in the presentation of financial statements in accordance with IAS 1.

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?

Comments

CGA-Canada agrees with the proposal to rename the title of the statement of comprehensive income proposed and contends that the prospective title conveys the purpose and content of this statement more faithfully. We do not believe that the new title will diminish the primacy of the ‘profit or loss statement’ in any material way for users who are reasonably familiar with the purpose and nature of financial statements. We do, however, note that the proposal also permits the entities to use an alternative title. Such consent may not be warranted as title variations may serve to confuse the users of such statements, and undermine the actual objective of renaming this 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?

Comments

CGA-Canada concurs with the Board that the proposal will function so as to provide more consistency in financial statement presentation and render financial statements more comparable. We do not subscribe to the view that it is necessary to resolve the issue of the ‘substance’ of this statement before deciding on its ‘form’ because we believe that they are reasonably independent of each other. We also do not expect the further evolution of the content of this statement to impact its form, as we have not identified substantial interdependency between the two. We submit that the ‘form’ and the ‘substance’ of this statement can independently evolve in parallel.

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?

Comments

CGA-Canada supports the proposal 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. We believe that this will increase the clarity and usefulness of information presented in financial statements, and will improve financial reporting. With an increased number of items being reported in the other comprehensive income, it is necessary to improve clarity in the presentation of other comprehensive income. The proposal will in the longer term enhance the comprehension of financial statement users by rendering clear the items in other comprehensive income that may be reclassified in subsequent accounting periods.

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?

Comments

Under the conditions, the proposal to require that income tax on items presented in OCI 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 can prove reasonable. We note that the current IAS 1 paragraph 90 requires disclosure of the amount of income tax relating to each component of other comprehensive income, either on the face of the primary statement or in the notes. We believe that the proposal to allocate income tax to separate groups of other comprehensive income is a logical sequel to, and consistent with, the current requirement, and also with the proposal to disaggregate items of other comprehensive income into recyclable and non-recyclable groups.

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 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, the entities must have all the information required to apply the proposed amendments.*

Do you agree with the Board's assessment? Why or why not?

Comments

- (a) CGA-Canada agrees with the Board's assessment of the main benefits of the proposals, subject to comments made in our responses to Questions 1 to 4.
- (b) CGA-Canada also agrees with the Board's assessment that the costs of the proposals should be minimal because, in applying the existing version of IAS 1, the entities must in any event have the information required to apply the proposed amendments.

Question 6

Do you have any other comments on the proposals?

Comments

CGA-Canada is in overall agreement with the proposals in the ED. We do, however, concede that there is merit in the dissenting view that the present allocation of items between profit or loss and other comprehensive income lacks conceptual authenticity. We believe that the same is the case with the subsequent reclassification of items which are initially presented in the OCI. Although the future conceptual development of these topics is not likely to impact the form of their presentation, we believe that the development of a conceptual basis should be expedited.

We observe that this ED does not specify transitional requirements. We also note that, in accordance with paragraph 19(b) of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, if an entity changes an accounting policy upon initial application of an IFRS that does not include specific transitional provisions, the changes should be applied retrospectively. However, we suggest that it would perhaps be more appropriate if the transitional requirements are specified explicitly as part of the proposed amendments to IAS 1.

Should you wish to discuss the contents of this comment paper or require further elaboration on any of the items presented herein, please do not hesitate to contact Kamallesh Gosalia at kgosalia@cga-canada.org or alternatively the undersigned at rlefevre@cga-canada.org.

Sincerely,

[Original signed by:]

Rock Lefebvre, MBA, CFE, FCIS, FCGA
Vice-President, Research & Standards