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Sir David Tweedie
Chairman of the
International Accounting Standards Board
30 Cannon Street
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United Kingdom

Berlin, 23. Juni 2010

Dear David,

Exposure Draft ED/2010/5 Presentation of Items of Other Comprehensive Income – Proposed Amendments to IAS 1

On behalf of the German Accounting Standards Board (GASB), I am writing to comment on the Exposure Draft ED/2010/5 Presentation of Items of Other Comprehensive Income – Proposed Amendments to IAS 1 (herein referred to as 'the ED'). We appreciate the opportunity to comment on this Exposure Draft.

We generally concur with the main proposals set out in the ED. On the whole we support the proposal to present all non-owner changes in equity in a single statement with two separate sections: profit or loss; and all other items of 'other comprehensive income'. Furthermore, we are in favour of an allocation of items of other comprehensive income to reclassified items and non-reclassified items. The same applies to the allocation of income tax. From a relevance perspective, we do, however, believe that a detailed allocation should be presented in the notes.

Nevertheless, we would like to remark that we still believe the ED lacks a conceptual basis. Therefore, we believe that a future project that considers the wider issue of measuring and of presenting performance is vital.

Please find our detailed comments on the questions raised in the ED in the appendix to this letter. If you would like to discuss our comments further, please do not hesitate to contact me.

Yours sincerely,

Liesel Knorr
President



Appendix

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?

We disagree with the proposal to change the title of the statement of comprehensive income to 'Statement of profit or loss and other comprehensive income' since we believe this would not result in any significant improvement in the current title. In our opinion, changing the title would fail to improve clarity or comparability considering that the current title neither has led to any serious confusion nor is its application obligatory. Furthermore, we hesitate to support the argument that "the IFRS community is still troubled by the use of the term *comprehensive* in the title" [BC 21]; in this respect, we have experience to the contrary. However, if the Board decides to change the title, we would support removing all remaining ambiguities (i.e. page 15 of the ED 'total comprehensive income').

Additionally, we think that the usage of the term 'comprehensive income' instead of 'total comprehensive income' would be sufficient for users' needs in the implementation guidance.

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?

In part we agree with the Board's view that all non-owner changes in equity should be presented in a single statement with two separate sections: profit or loss and items of other comprehensive income. We support the Board's view that non-owner changes in equity should be presented together although it is not of great importance whether the items are presented in one or two statements. What matters is that the statement displaying components of other comprehensive income is presented immediately after the income statement.

However, we believe that the example of what a Statement of Profit or Loss and Other Comprehensive Income may look like as provided in the implementation guidance leads to an improved comparability and consistency in presentation. On the other hand, we have certain concerns. For instance the illustration provided included a large number of items so that this approach could result in an information overload on the face of the statement of comprehensive income. Furthermore, entities are also allowed to present additional line items, headings and subtotals in the statements.



Therefore, we encourage the Board to ensure that only items that support useful decisions be displayed on the face and any further information to be displayed in the notes.

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?

We are in support of the IASB's proposals for presenting items of other comprehensive income that are not to be reclassified (non-recyclable) to profit or loss separately from those that may be reclassified (recyclable) to profit or loss. We think that this will make financial statements more understandable and that it will give users a better understanding of the effect that OCI items may have on an entity's financial performance.

As mentioned in the previous response, we strongly believe that the statement of profit or loss and other comprehensive income should only comprise items that are relevant and suitable for enabling users to have a better understanding of the effect of OCI items on the financial performance of an entity. Hence, we consider it appropriate to require entities to disclose a detailed allocation of reclassified and non-reclassified items in the notes.

IASB 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?

We agree with the proposal to allocate income tax to separate groups of other comprehensive income as a logical consequence of the proposed amendment and to disaggregate items of other comprehensive income into recyclable and non-recyclable groups.

Presuming that the amounts of OCI are shown before tax, we consider that disclosing a detailed allocation of the tax amounts in the notes instead of on the face as stated in our response to the previous question is appropriate.



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?

We generally agree with the Board's view of the main benefits of the proposals that are set out in the ED. We believe that eliminating options will lead to an increased comparability, but simultaneously we are obliged to remark that this is solely valid for the current version of IAS 1. We reserve the right to change our point of view in case a new standard is published, replacing IAS 1 and IAS 7. The same applies to the costs of the proposals.

Question 6 – Other comments

Do you have any other comments on the proposals?

We believe that the proposals set out in the ED are appropriate and will clarify certain issues.

Nevertheless, we are not entirely convinced whether a single standard is able to provide a significant improvement in the financial reporting due to the fact that only presenting issues are addressed in the ED. Referring to our response to the second and the previous questions, we would like to prevent that the presentation of items results in an information overload on the face of the statement of comprehensive income. We believe that reducing, or preferably eliminating, options on recognition criteria will significantly benefit the improvement of comparability of the financial statements and will secure that only relevant items are shown on the face of the statement of comprehensive income. Therefore, we would like to encourage the Board to initiate a project related to the financial statement presentation, in which these substantial issues are addressed.