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STAFF PAPER

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Project	Conceptual Framework		
Paper topic	Draft discussion paper Presentation in the statement of comprehensive income - profit or loss and OCI		
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This paper is a very early draft of part of the Conceptual Framework discussion paper. It has been prepared by the staff for discussion by the IASB. Issues discussed and conclusions reached will be subject to change.

What does this section cover?

This section discusses presentation in the statement of comprehensive income, including:

- the purpose of the statement of comprehensive income;
- principles and concepts for presentation in profit or loss or OCI;
- how these principles and concepts apply to current and proposed OCI items; and
- suggestions for changing the name of the statement of comprehensive income.

Why is this section important? What problems will this section help address?

Currently there is no principle in IFRS to determine:

- which items of income or expense should be presented in profit or loss and which should be reported in OCI; and
- when or which items initially recognised in OCI should be recycled into profit or loss.

What are the questions for the Board?

Board members are asked whether:

- they agree with the principles and concepts for the use of profit or loss or OCI that are developed in the paper;
- the discussion paper should include a discussion of an alternative approach that presents a single statement of comprehensive income; and
- the discussion paper should suggest that the term “comprehensive income” is replaced with a more understandable term.

What is the problem?

1. The *Conceptual Framework* does not currently include specific guidance on presentation of financial performance in the statement of comprehensive income[1].

2. Respondents to the IASB's *Agenda Consultation 2011* identified the reporting of financial performance, (including the use of other comprehensive income (OCI) and recycling) as a key topic that the IASB should address. Views expressed by respondents included:[2]

   (a) The use of non-GAAP measures by many preparers to explain their results is an indication that profit or loss may not be a useful measure of the entity's performance;

   (b) Lack of clear definition for OCI has meant it has become a "dumping ground" for anything controversial;

   (c) There is a lack of clarity on the roles of profit or loss and OCI in measuring and reporting an entity's performance;

   (d) Many investors/analysts ignore OCI as the changes reported in this caption are not caused by operating flows from which long-term trends can be inferred; and

   (e) The interaction between profit or loss and OCI is unclear, especially the notion of recycling and when or which OCI items should be recycled.

   Many of the questions and views raised by respondents involving profit or loss and OCI stem from the fundamental question: "How can financial statements best portray the entity's performance during the period?"

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[1] In this paper the statement of comprehensive income refers to either: (a) one statement, being a combined statement of profit or loss and other comprehensive income; or (b) two statements, being the statement of profit or loss and the statement of comprehensive income.

[2] Comments received on the *Agenda Consultation 2011* (see Agenda Papers 5A and 5B of the January 2012 IASB Meeting)

Purpose of the statement of comprehensive income

3. This discussion paper proposes that the purpose of the primary financial statements is to depict an entity's financial position, financial performance and cash flows in a summary that is useful to a wide range of users for their assessments of the entity's prospects for future net cash inflows. Primary financial statements are also useful for users' assessments of how efficiently and effectively the entity's management and governing board have discharged their responsibilities to use the entity's resources. Primary financial statements provide relevant information about the nature and amount of recognised assets, liabilities, equity, income and expenses that has been classified and aggregated in a manner that makes it understandable and comparable.

4. Building on this description, it follows that the purpose of the statement of comprehensive income is to depict an entity's financial performance in a summary that is useful to a wide range of users for their assessments of the entity's prospects for future net cash inflows of an entity. That summary presents information about recognised items of income and expense that has been classified and aggregated in a manner that makes it understandable and comparable.

Financial performance, profit or loss and OCI - Discussion paper approach

Financial performance

5. Financial performance includes transactions and other changes in the recognised resources of an entity and the recognised claims against an entity other than by obtaining additional resources directly from investors and creditors. All items of income and expense result from an entity's financial performance and profit is frequently used as a measure of that performance.[3]

6. Although the *Conceptual Framework* provides some insight into what financial performance includes, it does not define it. Financial performance could be viewed as reflecting the value the entity has generated by using its resources in

[3] See OB15, OB18 and Paragraph 4.24 of the *Conceptual Framework*

its business or other activities. Information about this could be assessed using many aspects of an entity's financial statements, not just the statement of comprehensive income and related notes. For example, some argue that the statement of cash flows provides useful information about performance, as do disclosures of operating segments and risk disclosures.

7. As a result, this discussion paper does not equate financial performance with either "comprehensive income" or "profit or loss" or any other total or sub-total. Instead, this paper will explore how all recognised items of income and expense can be presented, using totals and sub-totals, to depict financial performance so that it is capable of helping a user assess:

   (a) the prospects for future performance ie the amount, timing and uncertainty of the entity's future net cash inflows; and

   (b) how efficiently and effectively the entity's management and governing board have discharged their responsibilities to use the entity's resources.

Profit or Loss, OCI and total comprehensive income

8. IFRS requires that the statement of comprehensive income is presented as either: (a) one statement, being a combined statement of profit or loss and other comprehensive income; or (b) two statements, being the statement of profit or loss and the statement of comprehensive income. [4]

9. Profit or loss includes all items of income or expense (including reclassification adjustments) except those items of income or expense that are recognised in OCI as required or permitted by IFRS. Reclassification adjustments are amounts reclassified to profit or loss in the current period that were recognised in OCI in the current or previous periods. [5] Reclassification adjustments are also known as recycling adjustments.

[4] IAS1.10A

[5] IAS1.7

10. This discussion paper seeks to address two questions:

    (a) What distinguishes recognised items of income and expense[6] that are presented in profit or loss from other recognised items of income and expense ie those presented in OCI?

    (b) What items (if any) presented in OCI in one period should be reclassified (recycled) into profit or loss in the same period or a later period and why?

11. The IASB is also aware that some are of the view that there should be a single statement of comprehensive income that does not include a sub-total for profit or loss. This view is explored later in the discussion paper.

12. However, it is not proposed that the *Conceptual Framework* will explore whether the statement of comprehensive income that includes a sub-total for profit or loss should be presented as one or two statements, as it is considered to be a standards-level issue. It is noted that the IASB has no current plans to re-open the debate on this issue.

Principles for presentation in profit or loss or OCI

13. This discussion paper proposes a set of principles for determining whether a recognised item of income or expense should be presented in profit or loss or in OCI. These “distinguishing principles” build on the purpose of the statement of comprehensive income and the understanding that profit or loss is widely used as the main indicator of an entity’s financial performance.

14. These principles are as follows:

    (a) *Principle 1:* Items presented in “profit or loss” communicate the primary picture of an entity’s financial performance for a reporting period.

[6] In this paper, a reference to a recognised item of income or expense also includes a reference to a component of those items. It also refers to reclassification (recycling) adjustments where relevant.

(b) *Principle 2:* All items of income and expense should be recognised in profit or loss unless presenting an item in OCI provides a better depiction of financial performance.

(c) *Principle 3:* An item that has previously been presented in OCI should be reclassified (recycled) to profit or loss if the reclassification results in relevant information about financial performance in that period.

15. Each of these principles is discussed in more detail below.

Profit or loss is the primary picture of financial performance

16. The IASB has previously acknowledged that many investors, creditors, preparers and others view profit or loss as a useful performance measure and that profit or loss as a subtotal or a phrase is deeply ingrained in the economy, business and investors' minds. Users from all sectors incorporate profit or loss in their analyses, either as a starting point for analysis or as the main indicator of an entity's performance.[7] Indeed, for many, profit or loss is the primary measure of performance.

All items of income and expense should be recognised in profit or loss unless presenting an item in OCI provides a better depiction of financial performance

17. As profit or loss provides the primary picture of financial performance, all items of income or expense should be included in profit or loss. Presentation of an item in OCI would only be appropriate when such presentation provides a better depiction of performance in the reporting period.

18. The current limitation of allowing the use of OCI only when permitted or required by IFRS seems appropriate and consistent with the idea that OCI is an exception to presentation in profit or loss. It follows that the use of OCI by analogy would not be appropriate.

19. Few have argued that income and expense arising from cost based measurements should be recognised in OCI as they appear to provide useful information about

[7] IASB Discussion Paper: *Preliminary Views on Financial Statement Presentation*, paragraph 3.35

the performance in the period. However, it has been argued that in some cases remeasurement of assets and liabilities (particularly assets and liabilities that an entity may hold for the long term) may not provide the most relevant information about the performance of an entity in a period. Consequently, limiting OCI items to remeasurements could be viewed as consistent with the principle that OCI should only be used when it provides a better depiction of profit or loss in the period. However the IASB would not be required to use OCI for all remeasurements.

OCI items should be recycled

20. If profit or loss provides the primary picture of financial performance, it follows that items presented outside profit or loss should be presented in profit or loss of a subsequent period if that would provide relevant information about an entity's performance in that period. Consequently, an item that has previously been presented in OCI should be reclassified (recycled) to profit or loss if the reclassification results in relevant information about financial performance of the period of reclassification.

21. It would be the expectation that amounts presented in OCI would recycle at some point in the future. A determination that recycling would never result in relevant information being presented in profit or loss may indicate that use of OCI is not appropriate. This is because it may suggest that the current period is the only time the item of income or expense may provide relevant information about performance and hence should be presented in profit or loss in that period.

Question 1
A. Does the IASB agree with the principles discussed above? B. Does the IASB have any other comments on the principles?

Applying the principles

22. We have identified only two groups of items that would be eligible for presentation in OCI applying the above principles. These are described below as bridging items (see paragraphs 23-37) and mismatched remeasurements (see paragraphs 38-41).

Bridging items

What are "bridging items"?

23. A bridging item arises where the IASB determines that the statement of comprehensive income would communicate more relevant information about financial performance if profit or loss reflected a different measurement basis from that reflected in the statement of financial position.

24. For example, in its 2012 exposure draft *Classification and Measurement: Limited Amendments to IFRS 9* (the IFRS 9 ED) the IASB proposes that, in specified circumstances, debt instruments should be measured at fair value on the statement of financial position but measured at amortised cost for presentation in profit or loss.[8] In the IASB's view, this presentation best reflects the entity's performance, based on the business model related to the debt instrument.

25. In order to base profit or loss on a measurement different from the measurement presented in the statement of financial position, the difference between the amount reported in profit or loss and the change in the carrying amount of the recognised asset or liability would be presented as a bridging item in OCI. In those circumstances, presenting the amounts in OCI and profit or loss separately means that the information presented in the statement of comprehensive income provides a more faithful representation of an entity's financial performance and makes it more understandable ie it results in a better depiction of performance.

26. In determining whether the primary financial statements should use two measurement bases for a single asset or liability (resulting in presentation of items in OCI), the IASB would need to consider whether such presentation provides more useful information than either:

[8] Paragraphs 4.1.2A, 5.7.1A. See also BC17-BC30

(a) presenting the entire amount of income or expense as one or more line items within profit or loss; or

(b) presenting the results of one measurement basis in the primary financial statements with disclosure of the other measurement basis in the notes to the financial statements.

27. In addition, the IASB would need to consider whether the cost and complexity of requiring or permitting the use of two measurement bases outweighs the benefits of the additional information.

28. In most cases the measurement basis presented in the statement of financial position would be the same as that used as a basis for profit or loss. The measurement section of this [draft] discussion paper discusses how to determine an appropriate measurement basis.

When are two different measurement bases appropriate?

29. For the IASB to consider the use of two different measurement bases in the primary financial statements for a recognised asset or liability, both measurement bases would need to provide sufficiently relevant information about different facets of the entity's financial position and financial performance.

30. The measurement basis selected for profit or loss must result in information presented in profit or loss that is both relevant and a faithful representation of what it purports to represent (ie the amount in profit or loss must have meaning).

31. This [draft] discussion paper suggests that the IASB should consider presentation of two different measurement bases in the primary financial statements only if the measure in the statement of financial position is not based on cost. This is because it will generally be worthwhile presenting two different measurement bases for a single asset or liability only where the results are substantially different ie a cost-based measure and a remeasurement. Given that transaction information is directly related to actual events in the reporting period, cost-based information would be reported in profit or loss with remeasurements reported in OCI.

32. The IASB would need to determine what circumstances would warrant different measurement bases being presented concurrently in profit or loss and in the statement of financial position for the asset or liability.

33. One circumstance might be where an entity's business model reflects two types of activities, and each activity is best represented by a different measurement basis. This may be the case where an entity manages different aspects of an item to two different time horizons. Transactions and adjustments to cost-based measurements such as consumption and impairment might be managed day to day. Whereas value changes might be managed to a longer time horizon, not necessarily reacting immediately or always to value changes. An entity's management may be prepared to take actions (eg sale, early settlement) over the medium to longer term, especially if price changes look as though they will persist. Presenting a current measure in the balance sheet, and splitting items of income and expense between profit or loss and OCI, enables an entity to communicate relevant information about its performance in each activity.

34. For example, for debt instruments designated at fair value through other comprehensive income in accordance with the IFRS 9 ED, the fair value reflects a value that may be realised if the debt instruments were sold. Amortised cost faithfully represents what will occur if the entity holds the debt instruments to collect contractual cash flows. Reporting both measurement bases reflects a business model that manages the debt instruments both in order to collect contractual cash flows and for sale.

35. A second circumstance where the IASB may consider using two measurement bases for a single asset or liability is where a better depiction of an entity's financial performance would be achieved if a component of the remeasurement of an asset or liability is separately presented in OCI. This may be the case where the long-term nature of an asset or liability means that small, shorter time horizon changes in valuation inputs can have a significant effect on current period earnings, but these effects may fully reverse or significantly change over the long holding period.

36. For example, in its recent deliberations on insurance contracts, the IASB decided to propose that gains and losses arising from changes in discount rate that do not affect the ultimate amount paid to policyholders should be segregated from other gains and losses in OCI as this provides clearer information about the underwriting performance of the entity in profit or loss. The amount presented in profit or loss equals the change in the current value of the insurance contract using

the discount rate determined at the inception of the contract. The cumulative amount reported through OCI provides information about the insurer's exposure to interest rate risk – risk that may affect future cash flows if the duration of the insurer's liabilities does not match the duration of its assets and if, as a result, the insurer is forced to reinvest at lower rates than it pays on its liabilities.

Recycling bridging items

37. Presenting items in OCI enables profit or loss to reflect the income and expense that would have been recognised had the assets or liabilities been measured on a different basis eg amortised cost. In line with Principle 3, the amounts in OCI should be recycled into profit or loss in a manner (timing and amount) that is consistent with the measurement basis presented in profit or loss. For example if a debt instrument is measured at fair value in the statement of financial position, but presented in profit or loss on an amortised cost basis, then amounts previously reported in OCI need to be recycled into profit or loss on an impairment, disposal or reclassification of the instrument.

Mismatched remeasurements

What are mismatched remeasurements?

38. A mismatched remeasurement arises where an item of income or expense represents an economic phenomenon so incompletely that, in the opinion of the IASB, presenting that item of income or expense in profit or loss would provide information that has little or no relevance for assessing the entity's financial performance. Presenting the item in OCI therefore results in a better depiction of financial performance.

39. For example, IFRS requires that all derivatives are measured at fair value in the statement of financial position. Where cash flow hedge accounting is used for a derivative used to hedge a forecast transaction the changes in the fair value of the derivative may arise in a reporting period before the income or expense resulting from the hedged item. It is arguable that, until the impact of the derivative and the hedged item can be presented together, any gains or losses resulting from the remeasurement of the derivative have little or no relevance for assessing the entity's financial performance. Therefore, to the extent that the hedge is effective

and qualifies for hedge accounting, reporting in OCI the fair value gains or losses on the derivative enables a reporting entity to exclude from profit or loss less relevant information.

40. Another example of a mismatched remeasurement is exchange gains or losses resulting when an entity translates an investment in a foreign operation into the presentation currency. This is because the amount presented in OCI reflects the remeasurement of only the recognised assets and liabilities of the foreign operation at period-end exchange rates. It does not reflect the change in value of the foreign operation's unrecognised assets and liabilities. As a result the recognised exchange gains or losses provide such an incomplete view of how changes in exchange rate affect the value of the foreign operation that they provide little relevant information to the performance of the reporting entity in that reporting period.

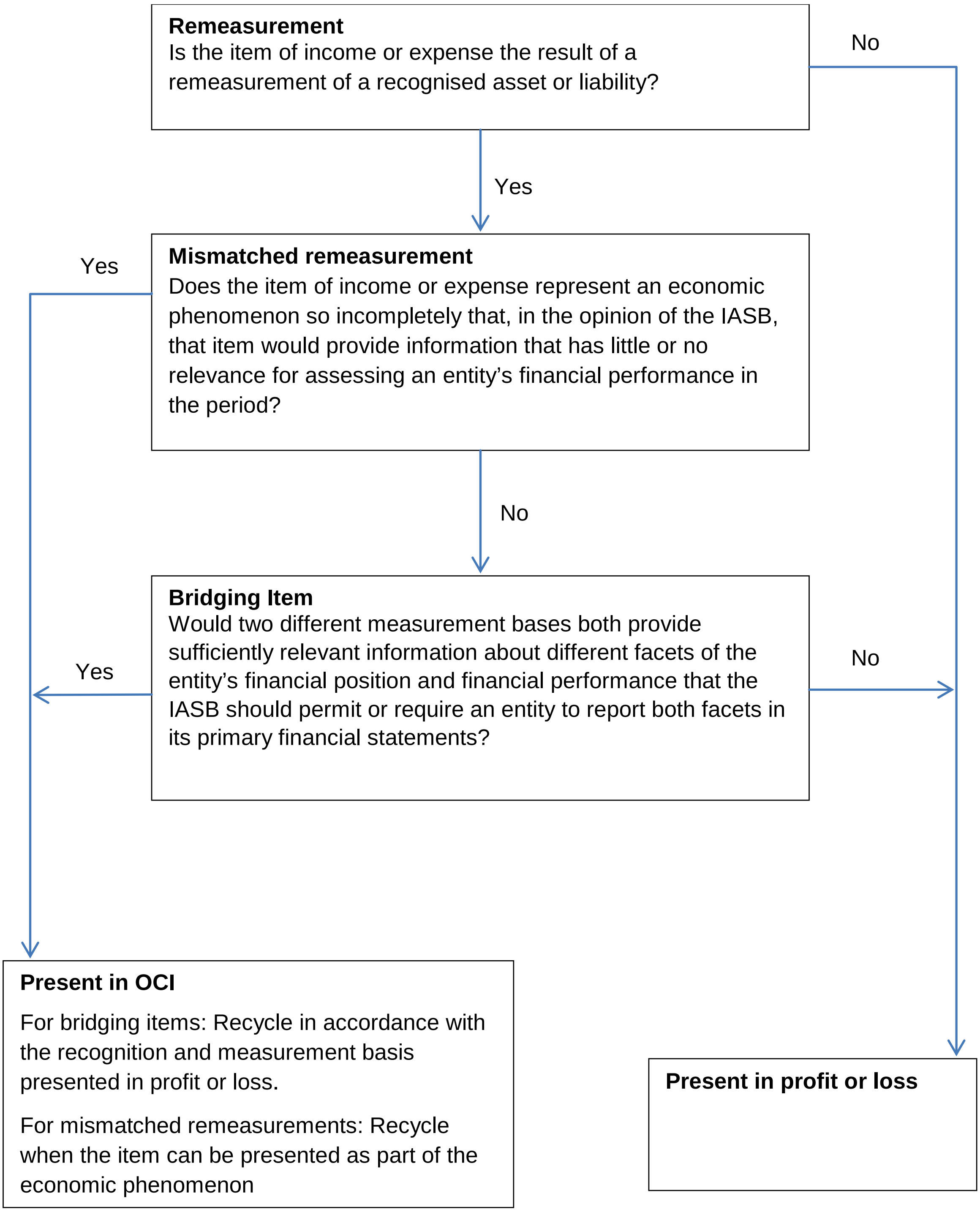
Recycling mismatched remeasurements

41. Amounts in OCI related to mismatched remeasurements would be recycled into profit or loss when they can be presented with those transactions that form the remainder of the overall economic phenomenon. This means that amounts previously recognised in OCI would be recycled into profit or loss at the time when they can be presented together with the related transactions.

Illustrating the concepts

42. The following flowchart describes how the concepts of bridging items and mismatched remeasurements may be applied.

Flowchart 1: Applying the distinguishing principles and concepts of bridging items and mismatched remeasurements



Applying the concepts to current (and proposed) OCI items

43. Appendix A describes the items that IFRS and proposed IFRS currently requires or permits to be presented in OCI.

44. Table 1 below sets out how the concepts of “bridging items” and “mismatched remeasurements” would apply in the context of current and proposed treatments of OCI items.[9] The implication of applying these concepts is that four items currently presented in OCI (or proposed to be presented) would not easily fit into either concept without modification.

[9] The analysis has been made on the basis that IFRS 9 *Financial Instruments* is applicable. In addition, the impact of the 2012 Exposure Draft *Equity Method: Share of Other Net Asset Changes* has not been considered as these amendments relate to an investor’s share of an investee’s components of OCI rather than proposing new items to be presented in OCI.

Table 1: Applying the concepts of "bridging items" and "mismatched remeasurements" to current and proposed OCI items

IFRS or proposed IFRS	Recognised asset or liability	OCI item	Bridging Item	Mismatched Re-measurement	Amendments to current treatment to enable the item to qualifiy as bridging items or a mismatched remeasurements
IFRS 9 – 2012 ED	Financial assets measured at fair value through OCI	Change in fair value	✓	×	
Insurance contracts project	Insurance contracts	Changes in the discount rate	✓	×	
IAS 16, IAS 38 & IFRS 6	Property plant & equipment, intangibles, exploration and evaluation assets	Revaluation gain or reversals	?	×	Could be a bridging item as revalued amount represents the amount the entity may receive if the asset is sold and depreciated cost represents use or consumption. Potential amendments needed (i) depreciation/amortisation would need to be based on the original rate; (ii) recycling on derecognition and impairment
IAS 19	Pensions - net defined benefit assets or liabilities	Remeasurement	?	×	See discussion below
IAS 21	Net investment in foreign operations (and hedges)	Exchange differences	×	✓	
IAS 39	Cash flow hedging instruments	Effective portion of change in fair value	×	✓	
IFRS 9	Financial liabilities designated at fair value through profit or loss	Change in fair value attributable to issuer's own credit risk	×	?	Could be mismatched remeasurement as changes in fair value due to own credit risk represent a wealth transfer between debt holders and equity holders. As internally generated goodwill is not recognised, changes in the value of goodwill are not recognised at the same time as related effects on own credit. Potential amendment needed: amounts previously presented in OCI would be recycled if the liability is transferred prior to maturity.
IFRS 9	Designated investments in equity instruments	Change in fair value	×	×	Unlikely to meet either the bridging or mismatched remeasurement concept unless an operational impairment model can be developed. In addition, fair value is generally regarded as the most relevant measure of performance for equity instruments, except, arguably, for some strategic investments.

Dealing with Pensions

45. Applying the above approach, it is not clear that a remeasurement of a net defined benefit pension asset or liability would be presented in OCI. This is because the remeasurement:

    (a) is not a mismatched remeasurement as it represents a complete depiction of an entity's obligation or claim on a pension plan; and

    (b) cannot be easily classified as a bridging item because it is difficult to determine a suitable basis for recycling.

46. Net defined benefit assets or liabilities are generally long-term in nature which means that small changes in volatile market-based inputs (such as interest rates) can have a significant effect on remeasurements recognised in the current period. It can be argued, that since these effects could reverse or significantly change over the long holding period, information about financial performance would be better communicated if these short time-horizon remeasurements were presented in OCI.

47. If the operational aspects of recycling could be addressed, the remeasurement of net defined benefit pension assets or liabilities could be viewed as a bridging item. This is because the statement of financial position would present the current estimate of the ultimate obligation (or asset) arising from the defined benefit pension scheme. Profit or loss would present those aspects of the net defined benefit remeasurement that relate to the performance of the entity in the period ie service costs as well as the finance costs (unwind of the discount rate). Any additional cost of providing the pension obligation would then be recognised in the period in which the obligation is fulfilled.

48. The different ways of dealing with the remeasurement of net defined benefit assets and liabilities include the following:

    (a) Treat the pension plan as the unit of account and recycle when the scheme itself is disposed of or closed. Some believe that there is guidance in IAS 19 that supports treating the plan as the unit of account and not the individual obligations per plan participant. However others disagree with this view as they believe IAS 19 treats the obligation as a "closed book" ie a finite asset or obligation rather than an "open book" where new plan members continually replace those who leave.

(b) Accept that remeasurements of a net defined benefit pension asset or liability do not fit the concept of a bridging item, but permit or require use of OCI on that basis that any recycling of individual amounts would not be operational and hence meaningful.

(c) Present the remeasurement of the net defined benefit pension asset or liability as a separate line item within profit or loss.

Impact on items currently reported in profit or loss

49. We have identified other remeasurements in IFRS that could potentially meet the concept of a bridging item (see Table 2 below). We note that there may be other similar items that we have not yet identified. We have not identified any other mismatched remeasurements. The fact that these items could potentially qualify as bridging items does not necessarily mean that the IASB would choose to treat these items as bridging items (it would be a standards level decision). Splitting the remeasurement of these items between profit or loss or OCI may not:

(a) provide a better picture of the financial performance of the entity; or

(b) justify the costs associated with maintaining two different measurement bases.

Table 2: Applying the concepts of "bridging items" and "mismatched remeasurements" to items currently presented in profit or loss

IFRS or proposed IFRS	Recognised asset or liability	Current Profit or loss item	Characteristics that may make item qualify as a bridging item
IAS 37	Long-term provisions (includes decommissioning, restoration and similar liabilities)	Remeasurement	Provisions can be long-term in nature which means that small changes in market-based inputs (such as discount rates) can have a significant effect on remeasurements recognised in the current period. However, it might be inconsistent to treat losses recognised on initial recognition differently from subsequent remeasurements. Potential presentation: Some or all of the remeasurement presented in OCI. Remeasurement on the statement of financial position.
IAS 40	Investment property	Remeasurement	Business model may be both: (1) to collect contractual cash flows on the property or otherwise consume (ie rental income, depreciation); (2) to sell the property Potential presentation: Depreciated cost in profit or loss. Remeasurement on the statement of financial position.
IAS 41	Biological asset before point of harvest	Change in fair value less costs to sell	Biological assets can be long-term in nature which means that small changes in market-based inputs can have a significant effect on remeasurements recognised in the current period. Note the proposed limited-scope improvement to IAS 41 may treat some bearer biological assets in the same way as property, plant and equipment. This would make the IAS 16 revaluation model available for these assets. Potential presentation: Cost-based measure in profit or loss, fair value (less costs to sell) on the statement of financial position.

Question 2

A. Does the IASB agree that bridging items and mismatched remeasurements should be eligible for presentation in OCI?

B. Has the IASB identified any other groups of items (ie not bridging items or mismatched remeasurements) that would be eligible for presentation in OCI applying the principles in paragraph 14?

C. Does the IASB have any other comments on the concepts of bridging items and mismatched remeasurements?

An alternative approach – A single statement of comprehensive income

50. As was indicated earlier in the paper, some are of the view that there should be a single statement of comprehensive income. They view that the distinction between profit or loss and OCI is an artificial one. They consider that identifying a single number within comprehensive income as the primary indicator of financial performance over simplifies the performance of an entity. They believe that presenting line items of income and expense without the priority or prominence imposed by the profit or loss sub-total is the most effective way of communicating information about financial performance that is helpful to users assessing the prospects for future net cash inflows to an entity.

51. If the statement of comprehensive income were to present all recognised items of income and expense within the same ultimate total, reclassifications (recycling) and their associated complexity would be unnecessary.

52. If the *Conceptual Framework* adopted this approach, it is envisaged that presentation of line items, totals and sub-totals would primarily be dealt with at a standards-level.

53. However a key question that arises under this approach is how best to present the results of cash flow hedge accounting. Possible ways the IASB might consider include:

    (a) present all gains or losses on cash flow hedge derivatives in a separate line item of the single statement of comprehensive income;

    (b) present the effective portion of all gains or losses on cash flow hedge derivatives in equity (not in OCI) and “recycle” when the hedged transactions impacts profit or loss; or

    (c) allow the effective portion of derivatives that meet cash flow hedge accounting to be measured at amortised cost (ie off-balance sheet).

Question 3

A. Does the IASB wish to include a discussion of the “single statement approach” in the discussion paper?

B. Does the IASB have any comments on the description of the “single statement approach”?

Name of the statement of comprehensive income

54. Many view the term “comprehensive income” as confusing or misleading. This is because financial reporting is far from comprehensive. Not all assets and liabilities are recognised in the statement of financial position. As a result recognised changes in these net assets (ie income and expense) cannot be considered as comprehensive.

55. In order to increase understandability this discussion paper suggests that the name of those statements, totals and sub-totals that include the term “comprehensive income” should be changed as follows:

    (a) “Statement of comprehensive income” changed to “Statement of income and expenses”;

    (b) “Total comprehensive income” changed to “Total income and expenses”;

    (c) “Other comprehensive income” changed to “Remeasurements outside profit or loss”.

Question 4

A. Does the IASB agree with the suggestion that the references to “comprehensive income” are changed?

B. Does the IASB agree with the suggested replacement names?

Appendix A
Current use of OCI in IFRS

IFRS	Topic	Treatment	Recycling	Basis for conclusions/reasons (where available)
ED: Equity Method: Share of Other Net Asset Changes	Equity Method: Share of Other Net Asset Changes	• The investor's share of the investee's components of OCI is recognised in the investor's OCI.		
Insurance Contracts project	Proposals for insurance contracts	• Changes in the liability arising from the difference between the current discount rate and the discount rate at inception is recognised in OCI	• No, if the contract is settled – reverses over life. • Yes, if the contract is transferred to another party.	Use of OCI • More useful and transparent presentation of performance than all discount rate changes in profit or loss e.g. o Separates elements of performance of the entity o Separates changes that reverse from those that do not reverse
IAS 16 & IAS 38	Revaluation of Property, Plant and Equipment and Intangible Assets	• Revaluation gains in OCI unless reversing a previous revaluation decrease that was recognised in P&L • Revaluation losses to be recognised in OCI to the extent that there is a credit balance in the revaluation surplus of that asset (otherwise recognised in profit or loss)	• No – surplus may be transferred directly to retained earnings when the asset is derecognised. • Some surplus may be transferred to retained earnings as the asset is used	

IFRS	Topic	Treatment	Recycling	Basis for conclusions/reasons (where available)
IAS 21	• Translation of a foreign operation • Translation to the presentation currency	• Exchange differences resulting from translation into presentation currency.	• On the disposal of a foreign operation, the cumulative amount of exchange differences relating to that foreign operation recognised in OCI and accumulated in equity, shall be reclassified from equity to P&L • There is additional guidance for partial disposals	• Not recognised in profit or loss because the changes in exchange rates have little or no direct effect on the present and future cash flows from operations (IAS 21 paragraph 41)
IFRS 9	Investments in designated equity instruments not held for trading	• Fair value gains/losses in OCI • Dividends in P&L (unless a recovery of part of the cost of investment) • Irrevocable designation • Can transfer cumulative gains or losses within equity	No	Use of OCI • Fair value gains/losses are not indicative of performance for strategic investments (though OCI not limited to strategic investment because difficult to define) • Separate presentation in OCI provides useful information – easy to identify and value Recycling • Avoided complexity of impairment treatment of AFS

IFRS	Topic	Treatment	Recycling	Basis for conclusions/reasons (where available)
IFRS 9	Liabilities designated as at fair value through profit or loss	• Changes in fair value attributable to changes in the credit risk of that liability in OCI (unless accounting mismatch) • Can transfer cumulative gain or loss within equity	No	Use of OCI • Should not affect P&L because the entity will not generally realise the effects (unless the liability is held for trading) Recycling • No recycling because gain/loss in OCI will reverse over life • Did not want to introduce another case of recycling before a more general discussion on whether to recycle.
IAS 39	Change in fair value of available-for-sale securities	• Fair value gains/losses in OCI • Interest & impairment in P&L	• Yes to P&L – on disposal	
IAS 39	Cash flow hedges/hedges of net investments	• Fair value gains/losses on hedging instrument in OCI	• Yes to P&L – to offset the effect of hedged item in profit or loss (eg cash flow, depreciation)	Use of OCI • Differences in timing of recognition of hedge and hedged item.
2012 ED on IFRS 9	Financial assets measured at fair value through OCI	• Change in fair value of financial assets, that meet criteria about business model and contractual terms, recognised in OCI (except for interest, FX gains/losses and impairment)	• Yes – on derecognition • When reclassified as AmCo accumulated OCI adjusted against the FV of the asset • When reclassified as FVPL, accumulated OCI is reclassified from equity to P&L	Use of OCI • Reflects business model/performance – managed both to collect contractual cash flows (amortised cost) and realisation of fair values • To have a fair value measurement in the balance sheet and amortised cost measurement in P&L Recycling • Needed to reflect amortised cost information in profit or loss

IFRS	**Topic**	**Treatment**	**Recycling**	**Basis for conclusions/reasons (where available)**
IAS 19	Components of defined benefit cost	• Remeasurements of the net defined benefit liability/asset in OCI	• No – reclassified in equity	Use of OCI • Distinguishes remeasurement components with different predictive values Recycling • No consistent policy on reclassification to P&L; and • Difficult to identify a suitable basis to determine timing and amount of such reclassifications.