

Review of the *Conceptual Framework* Profit or loss and OCI

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The views expressed in this presentation are those of the presenter,
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Before we start...

- You can download the slides by clicking on the button below the slides window
- To ask a question, type into the designated text box on your screen and click submit
- A recording of the webcast will be available after the presentation at <http://go.ifrs.org/Conceptual-Framework>
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Project objectives

- Not a fundamental re-think
- Focus on weaknesses that have given problems in practice
- Filling in gaps, and updating and improving existing guidance

Discussion Paper objectives

- Preliminary views
- Starting point for further discussion and consultation
- Seeking your views by 14 January 2014

Project consequences

- New *Conceptual Framework* will not override existing IFRSs

Overview of the session

- Discussion Paper (DP) approach to:
 - Profit or loss
 - Other comprehensive income (OCI)
- Approaches to OCI discussed in the DP:
 - Narrow approach
 - Broad approach
- Comparison of approaches

Discussion Paper approach

- All items of income and expense provide some information about financial performance
- Make best use of subtotals or totals so information is useful
- Present as one or two statement(s)

Proposed approach to profit or loss and OCI

Retain profit or loss as a subtotal or total

- IASB's preliminary view
 - Profit or loss communicates the primary picture of the return an entity has made on its resources
 - OCI items also provide relevant information

Alternative approach

- No subtotal (ie profit or loss or OCI) defined in the *Conceptual Framework*
- No recycling
- Not well supported

Distinguish using an attribute?

Profit or loss

- Realised
- Recurring (persistent)
- Operating
- Measurement certainty
- Short-term
- Under management control

OCI

- Unrealised
- Non-recurring
- Non-operating
- Measurement uncertainty
- Long-term
- Outside management control

IASB did not pursue this approach

Distinguish by describing OCI items?

Discussion Paper approaches

Narrow approach

Broad approach

- Bridging items
- Changes in some current measures (remeasurements)
- Decision for IASB

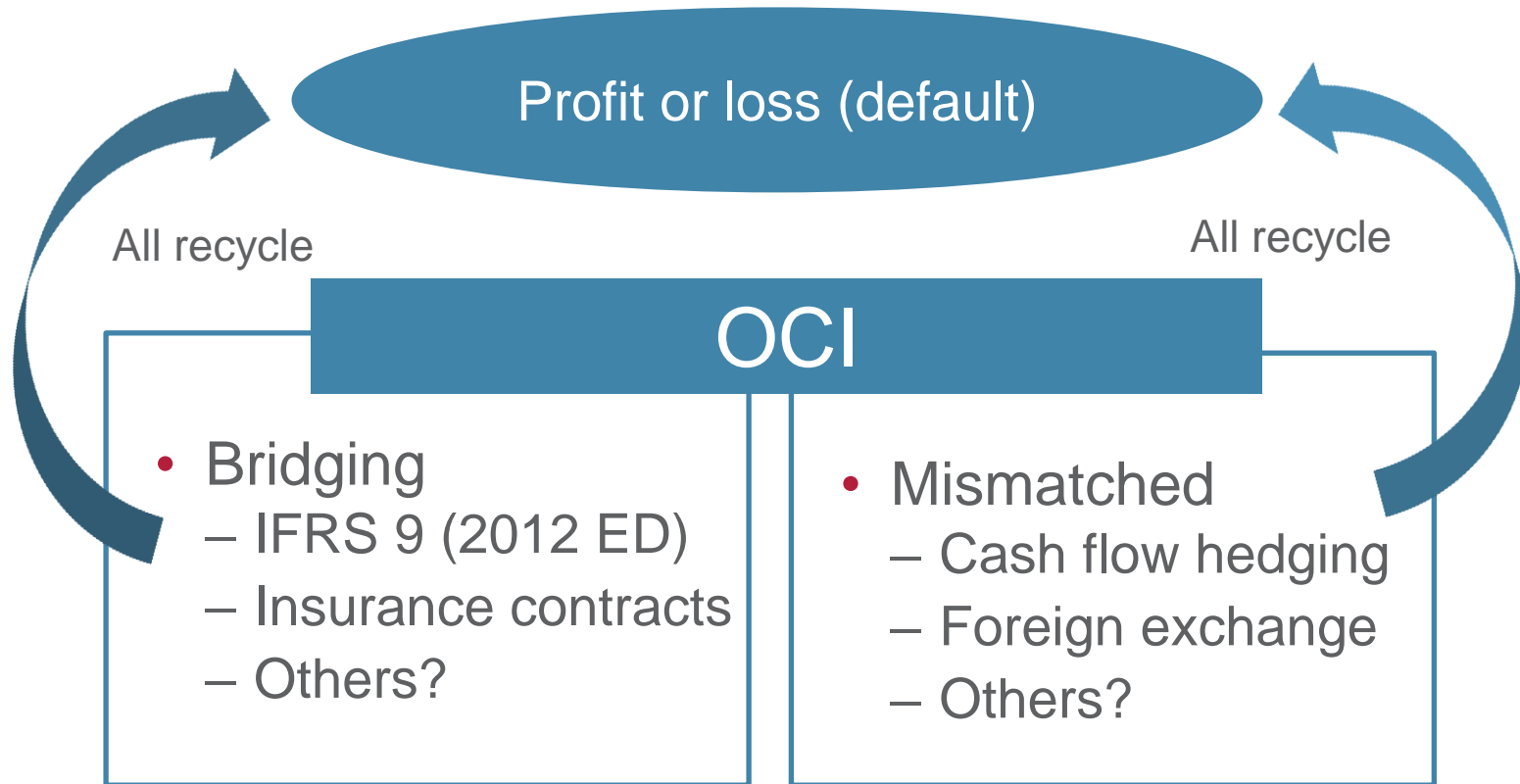
• Transitory
remeasurements  IFRS®

Bridging items & mismatched remeasurements

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- ‘Bridging items’: arises where same asset/liability is represented in the statement of financial position and impacts profit or loss using two different measurements (see next slide)
- ‘Mismatched remeasurements’: arises when offsetting impact of linked transactions or other events is not yet recognised, eg cash flow hedging and foreign exchange translation
- Both bridging items and mismatched remeasurements are always recycled

Narrow approach



‘Bridging items’

Example (IFRS 9 2012 ED):

If financial assets are measured at amortised cost to determine profit or loss and measured at fair value in the statement of financial position.

Statement of profit or loss

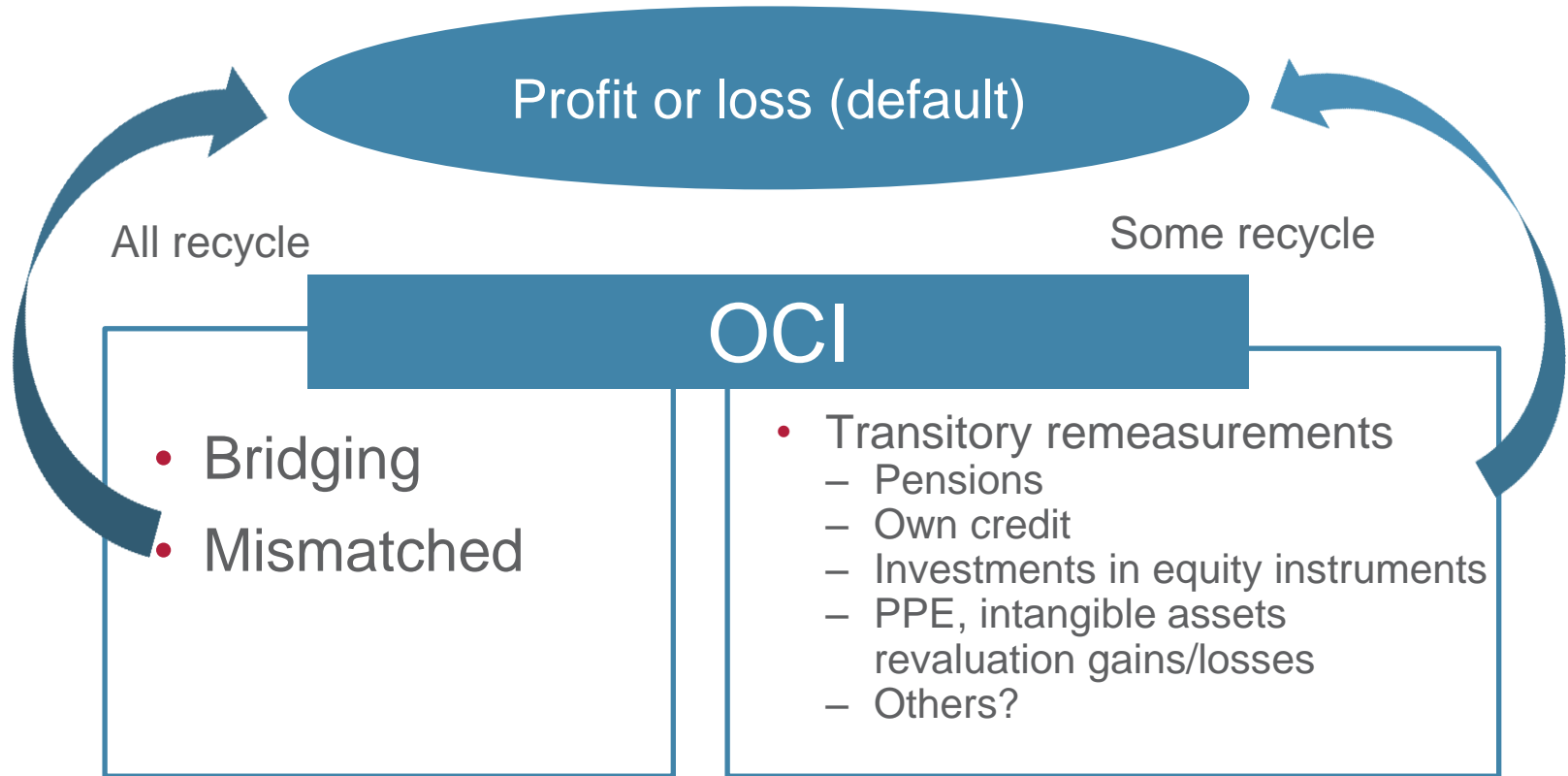
	20XX
Interest income	A
Impairment	(B)
Reclassification adjustment on disposal	C
Profit or loss	A-B+C

Statement of comprehensive income

	20XX
Profit or loss	A-B+C
Fair value changes	D
Reclassification adjustment on disposal	(C)
Total comprehensive income	A-B+D

‘Transitory remeasurements’

- Must meet **all** conditions:
 - ☑ Asset realised/liability settled over the long term
 - ☑ Current period remeasurement is expected to reverse fully, or change significantly, over the holding period of the asset or liability
 - ☑ Current period remeasurement enhances the relevance of profit or loss
- Recycle if it provides relevant information



'Transitory remeasurements' (2)

Example – Pensions

20X1: Estimate of employee service cost is CU10 per year

20X2: Revised estimate of employee service cost is CU12 per year
- revision due to change in inflation forecast

Relevant information about 20X2 service costs

Transitory effect of inflation is separately presented

Impact on comprehensive income	20X2
	CU
Profit or loss	12
OCI: Pension liability remeasurement	2
Total	14

Impact on financial position	20X2
	CU
20X2 service cost	12
20X1 service cost	10
20X1 'catch-up'	2
Pension liability	24

Approaches compared

	Narrow approach	Broad approach
Use	Use of OCI is only where permitted or required by particular standards	
Eligible items	Some (but not all) gains and losses arising from changes in a current measure (remeasurements)	
Categories	Mismatched remeasurements Bridging items	Mismatched remeasurements Bridging items Transitory remeasurements
Recycling	Always	Sometimes – if it provides relevant information
Result	Fewer items qualify for OCI Less discretion for the IASB	More items qualify for OCI (in line with current use) More discretion for the IASB

Questions



- Discussion Paper
<http://go.ifrs.org/DP-Conceptual-Framework-July-2013>
– Comments to be received by 14 January 2014
- Snapshot
<http://go.ifrs.org/Snapshot-DP-Conceptual-Framework-2013>
- Existing *Conceptual Framework*
<http://eifrs.ifrs.org/eifrs/bnstandards/en/2013/conceptualframework.pdf>
- *Conceptual Framework* website
<http://go.ifrs.org/Conceptual-Framework>

Thank you



Expressions of individual views by members of the IASB and its staff are encouraged.

The views expressed in this presentation are those of the presenter. Official positions of the IASB on accounting matters are determined only after extensive due process and deliberation.