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Technical Director
File Reference No. 1790-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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RE: Exposure Draft, Proposed Accounting Standards Update, Comprehensive Income (Topic 220): *Statement of Comprehensive Income*.

## Dear Sirs:

Allegheny Technologies Incorporated (ATI) is writing to provide its comments to the FASB Exposure Draft on Comprehensive Income. ATI is one of the largest and most diversified specialty metals producers in the world with annual revenues over the past three years ranging between \$3.1 and \$5.5 billion, and a market capitalization of approximately \$4.5 billion. From a financial reporting perspective, we have various items reported in comprehensive income, and our income statement includes reporting of income attributable to noncontrolling interests.

## Summary

ATI does not agree with the proposed ASU on comprehensive income. We believe that the proposed changes add unnecessary confusion and complexity to the reporting of current operating results. The reporting of comprehensive income, which has been with us since 1997, and which has been required to be prominently displayed in the financial statements since that time, is not reported on by the financial press, and it does not appear to be a significant factor in evaluating financial performance by analysts, investors, or any other user constituency. Over the many years following the inclusion of comprehensive income in the financial statements, we have not had any investor, analyst or other financial statement user question or wish to discuss comprehensive income, or any component thereof, in our quarterly earnings conference calls, investor presentations, or other interactions. We do not believe that further increasing the prominence of comprehensive income through a single required presentation will provide additional useful, relevant information to financial statement users.

The existing accounting guidance provides for flexibility in the presentation of other comprehensive income (OCI) elements among three choices, allowing financial statement

preparers to chose the method of presentation which best fits their situation. Our presentation of OCI and comprehensive income is within our statement of changes in consolidated equity, and we believe that presentation alternative should be retained.

Our comments with regard to the specific questions in the Exposure Draft are as follows:

**Question 1:** Do you agree that requiring a continuous statement of comprehensive income will improve the comparability, transparency and understandability of financial statements such as relationships between changes in the statement of financial position, the components of other comprehensive income, and the components of net income in each period? If not, why not, and what changes would you suggest to the amendments in this proposed Update?

We do not agree. The expansion of the income statement will cause unneeded complexity, and distract from measures of current operating performance. The income statement is an important financial statement in its current form, reflecting the results of financial performance that are reported in net income and earnings per share. These financial results often form the basis of evaluating the controllable current activities of management. By their nature, items being reported in OCI are less controllable within a current quarter or fiscal year. Therefore, requiring companies to report OCI and comprehensive income in a single statement of financial performance would result in reporting a performance measure that may not be used anywhere within the company's internal evaluation of controllable financial results.

The proposed one statement approach, as illustrated by the example in 220-10-55-7 of the ED, would likely result in a statement of comprehensive income that devotes as much space to each OCI element as the traditional line items in the income statement, even though the OCI components may be much less material to reported results. Additionally, none of the examples in the ED provide an illustration of the added complexity of separately reporting OCI for noncontrolling interests and those amounts attributable to the company. Combine this with the typical presentation of multi-year, or multi-period interim financial reporting, and disclosure of earnings per share, and you have a proposed financial statement that is needlessly complex. In the case of an income measure where a reporting entity with only continuing operations has noncontrolling interests, we would potentially increase the number of income measures reported in the statement of financial performance from three to six for each period presented, assuming there is OCI attributable to noncontrolling interests as well as to the company.

Changes we would suggest to the proposed amendment would be to cancel the planned update and leave current guidance unchanged permitting any one of three disclosure alternatives. In lieu of this, we would suggest retaining the option to present a separate statement of comprehensive income without requiring a single statement of financial performance combining net income with comprehensive income.

**Question 2:** Do you agree that the option should continue to report the tax effect of other comprehensive income either in the statement of comprehensive income or in the notes to the financial statements?

We agree. As discussed above in our summary and in comments to Question 1, we believe that permitting flexibility to provide the disclosure in either the financial statements or the footnotes allows preparers to present the information in the manner they think is most appropriate. Additionally, given the potential for a very complex financial statement as currently proposed, having the option to disclose tax effects outside of the financial statement itself would enable preparers to slightly streamline the amount of information required.

**Question 3:** Do you believe that a requirement to display reclassification adjustments for each component of other comprehensive income in both net income and other comprehensive income in the statement of comprehensive income would improve the understandability and comparability of financial statements?

No. We do not believe that this requirement will improve understandability and comparability. While the concept of showing the movement between OCI and net income is important to understanding the flow of items between reporting periods, we believe this disclosure is more appropriately made in the notes to the financial statements.

Question 4: What costs, if any, will a reporting entity incur as a result of the proposed changes?

**Direct costs should be minimal.** We would expect some initial internal costs related to reformatting external financial statement reporting, and related XBRL tagging.

**Question 5**: The Board plans to align the proposed effective date of the amendments in this proposed Update with the effective date of the amendments in the proposed Update on financial instruments. Are there any significant operational issues that the Board needs to understand to determine the appropriate effective date for the amendments in this proposed Update?

We do not foresee any significant operational issues related to the proposed effective date.

**Question 6:** The amendments in this proposed Update would not change the guidance on the calculation and display of earnings per share. Do you believe that the Board should change the guidance on earnings per share? If so, what changes would you recommend, and why?

We do not believe that the Board should change the guidance on earnings per share.

Thank you for the opportunity to provide comments on the Exposure Draft, Proposed Accounting Standards Update, Comprehensive Income (Topic 220): *Statement of Comprehensive Income*. We would welcome any dialogue on this issue.

Sincerely,

Karl D. Schwartz, CPA

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Controller and Principal Accounting Officer