1790-100 Comment Letter No. 42

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Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

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Dear Technical Director:

Aetna Inc. ("Aetna") appreciates the opportunity to provide our views on the Financial Accounting Standards Board's (the "Board") proposed Accounting Standards Update "*Statement of Comprehensive Income*." We are one of the nation's leading diversified health care benefits companies, offering a broad range of traditional and consumer-directed health insurance products and related services.

We understand the Board's view is that optional displays of comprehensive income ("CI") reduces comparability and transparency of financial statements. However, a vast majority of companies do not present items of CI in their income statement. Accordingly, we believe significant comparability already exists between companies.

We submit the following additional points to support our contention that the proposal to present components of other comprehensive income ("OCI") in a single statement of CI is unnecessary:

- The proposed presentation will attach greater prominence to CI instead of net income, the primary earnings based metric used by the majority of financial statement users and investors analyzing a company's financial performance.
- Companies often disclose non-GAAP measures to describe financial performance. These non-GAAP measures directly correspond to net income as opposed to CI and therefore are reconciled to net income.
- Earnings per share will continue to be based on net income. However, the proposed presentation with net income presented as a sub-total will detract users and investors from the relevant financial measures.
- Many of the components of OCI represent items that are long-term in nature, whereas most of the components of net income represent items that impact the current reporting period. Presenting both long-term and short-term items on a single continuous statement of comprehensive income would mask these differences and decrease consistency.

We present CI as a component of the changes in shareholders' equity and believe this approach is understandable, relevant and therefore advantageous to the proposed approach.

We also submit that the statement of equity is a core element of the financial statements and, as noted previously, a vast majority of companies currently elect in practice to display components of CI in the statement of equity. We believe that providing components of CI in the statement of equity will be more meaningful and relevant and will provide decision useful information to users and investors.

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We would be pleased to discuss our comments further with you or members of your staff. If you have any questions, please feel free to contact me.

Sincerely,

Rajan Parmeswar

Vice President, Controller and Chief Accounting Officer

Appendix A - FASB Questions for Respondents

# Appendix A

# FASB - Questions for Respondents

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?

### Response 1:

Although we agree that requiring a continuous statement of comprehensive income will improve the comparability, transparency, and understandability of financial statements, we believe there are several negative effects that outweigh the Board's proposed requirement. We believe that providing components of comprehensive income in the statement of equity will be more meaningful, understandable and relevant and will provide decision useful information to users and investors. Refer to Aetna's comment letter on comprehensive income for additional details.

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

Response 2:

Yes.

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?

#### Response 3:

No. We believe that presenting the reclassification adjustments for the components of other comprehensive income is sufficient and should be required on either the face of the financial statements or disclosed in the footnotes.

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

Response 4:

We expect that the initial costs will have a minimal impact to our company. However, the costs associated with the reduction in prominence of net income could have a greater intangible impact to our company.

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?

Response 5:

No.

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?

Response 6:

No. We strongly believe that earnings per share should continue to be based on net income. EPS is the primary earnings based metric used by the majority of financial statement users and investors who analyze a company's financial performance. Decreasing the prominence of net income will detract users and investors from the relevant financial measures.