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September 30, 2010

Mr. Russell G. Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
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File Reference: 1790-100: Exposure Draft of a Proposed Accounting Standards Update, "Statement of Comprehensive Income"

Dear Mr. Golden:

The Financial Reporting Executive Committee (FinREC), formerly known as the Accounting Standards Executive Committee (AcSEC) of the American Institute of Certified Public Accountants, has reviewed the Exposure Draft of the Proposed Accounting Standards Update (ASU) of Comprehensive Income (Topic 220), *Statement of Comprehensive Income* (the Exposure Draft or ED), and appreciates the opportunity to comment. FinREC supports the intent and direction of the proposal to provide additional comparability, consistency and transparency in financial reporting.

We believe that a continuous statement of financial performance is a useful concept and, therefore, we support the Financial Accounting Standards Board and the International Accounting Standards Boards' decision to eliminate the alternative of providing information about other comprehensive income in the statement of stockholders' equity. We are concerned, however, that the proposal may not give the appropriate prominence and transparency to net income as a recognized, very important measure of performance of an entity. We believe that net income is a key measure of performance, since that is in part how a business is valued by analysts (i.e., as a multiple of earnings). Accordingly, FinREC suggests that preparers should be given the option of either preparing one continuous statement as presented in the ED or two separate statements of net income and other comprehensive income with equal prominence in the financial statements. When one continuous statement is the chosen alternative or if the Board decides to permit only a one statement presentation, we recommend that the presentation must clearly differentiate and highlight the difference between net income and other comprehensive income to indicate the prominence of net income as an important measure of performance.

On a broader issue, we believe that the Board needs to establish a conceptual framework for Other Comprehensive Income (OCI), which would define what types of activities should by their nature be included in OCI and what items should ultimately be "recycled" from OCI to net income, for example, when the unrealized gains and losses are realized.

We recognize that such a conceptual framework may be beyond the scope of this current project, but we believe the Board needs to prioritize developing a conceptual framework for OCI, since OCI will be more heavily used if the financial instruments project is finalized as it is currently proposed.

We note that the ED differs in two respects from the proposal of the IASB. First, unlike the IASB proposal, we support the decisions by the FASB not to mandate a specific title for the single statement of comprehensive income and, second, we support “recycling” of gains and losses to earnings. We note that FinREC’s comment letter on the financial instruments project dated September 30, 2010 is also supportive of recycling.

Our responses to the questions raised follow this letter in the Appendix. Representatives of FinREC or the comment letter task force would be pleased to discuss these responses with you at your convenience.

The following are FinREC's responses to the specific issues raised in the exposure draft.

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: As discussed above, although we support the concept of a continuous statement of comprehensive income, we believe that preparers should be given the alternative of preparing a continuous statement of comprehensive income or two separate statements of net income and other comprehensive income. We believe that any such statement should emphasize the primacy of net income as a very important performance measure for the entity as discussed in our letter above.

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: We agree with the decision to continue the option to report the tax effect for each component of other comprehensive income in the statement of comprehensive income or in the notes to the financial statements.

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 would improve the understandability and comparability of financial statements?

Response: We do not fully support this proposal, but believe that it is sufficient to show this information only in the section of the statement for other comprehensive income. We observe that putting that information in both sections of the statement is duplicative, providing no additional information to users of financial statements. Moreover, if the reclassification amounts in the components of OCI are disclosed net of tax in the OCI section, but gross of tax as required in the net income section of the statement, users could be confused.

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

Response: In general, we believe that the costs of separately tracking reclassification adjustments for disclosure in the statement of comprehensive income will not be substantial, although we observe that for some entities the adjustments may not currently be separately collected in their reporting systems. Thus, those entities will incur somewhat greater costs.

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: We agree that the proposed effective date of the amendments in this proposal should be aligned with the effective date of the amendments in the proposed Update on financial instruments.

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: We believe that no changes should be made to the current guidance on the calculation and display of earnings per share (EPS). Currently, EPS is performance driven and is a well understood performance indicator used by analysts and other financial statement users (whereas comprehensive income is not used as a performance indicator) and any attempt to change that would hurt rather than improve transparency.

Sincerely

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