



29 September 2010

Sir David Tweedie

International Accounting Standards Board  
30 Cannon Street  
London EC4M 6XH  
United Kingdom

Dear Sir,

The French Society of Financial Analysts, SFAF (Société Française des Analystes Financiers) represents more than 1,600 members in France and is itself a member of the European Federation of Financial Analysts Societies (EFFAS) which comprises 25 member organisations representing more than 14,000 investment professionals. Its Accounting and Financial Analysis Commission represents analysts, fund managers and investment professionals in the debate on accounting standards. Financial analysts are among the principal users of corporate financial statements and therefore wish to express their opinion on the implementation of new or revised accountings standards.

For this reason, our Society, through its Accounting and Financial Analysis Commission has reviewed the ED *Presentation of Items of Other Comprehensive Income*.

As stated in previous comment letters, Financial Analysts have the utmost interest in the Financial Statement Presentation, to which this project is related.

We believe that the introduction of an increased level of disaggregation within the other comprehensive income is an improvement, even though it is far from being a major one from a user perspective. We thus believe that such a change should have been handled through the annual improvement project.

More importantly, **we strongly believe that the proposed removal of the two statements presentation option is completely inadequate and fails to understand what users of financial statements really need. This proposed change also reflects the Board's**

**persistent promotion of Comprehensive Income despite the total absence of real demand from users.**

**We thus recommend that the Board abandons the project.**

As users, we feel very close to the dissenting views of Mr Jan Engstrom. We thus suggest that the Board should instead, in particular with the help of users, review each of the items currently included in other comprehensive income to see whether or not it should be there (and, eventually, be recycled or not).

Please find below the detailed answers to the questions included in the ED.

#### **Questions 1 and 2**

*1 The Board proposes to change the title of the statement of comprehensive income to 'Statement of profit or loss and other comprehensive income' when referred to in IFRSs and its other publications. Do you agree? Why or why not? What alternative do you propose?*

*2 The proposals would require entities to present a statement of profit or loss and other comprehensive income with two sections—profit or loss and items of other comprehensive income. The Board believes this will provide more consistency in presentation and make financial statements more comparable. Do you agree? Why or why not? What alternative do you propose?*

The Accounting Commission does not support the suggested changes in the title of the statement as we disagree with changes discussed in question 5 (in particular, that the term comprehensive income is misleading).

For the same reason, we believe that the suggested changes would not improve consistency and comparability.

#### **Questions 3 and 4**

*3 The exposure draft proposes to require entities to present items of other comprehensive income (OCI) that will be reclassified to profit or loss (recycled) in subsequent periods upon derecognition separately from items of OCI that will not be reclassified to profit or loss. Do you support this approach? Why or why not? What alternative do you propose, and why?*

*4 The exposure draft also proposes to require that income tax on items presented in OCI should be allocated between items that might be subsequently reclassified to profit or loss and those that will not be reclassified subsequently to profit or loss, if the items in OCI are presented before tax. Do you support this proposal? Why or why not? What alternative do you propose and why?*

As users of financial statements, we feel that other comprehensive income items are so diverse that they have little or no analytical value and that aggregating them on the basis of the possibility of being recycled -or not- is irrelevant. For instance, aggregating property revaluation and actuarial gains or losses is meaningless. We see no real interest in creating these two sub-categories. It might be pleasant, in some cases, to have this additional information included in the notes, and this minor change could have been handled through the annual improvement project. **We thus do not support the proposed categorization of other comprehensive income** in the face of the main financial statement.

As a consequence, **we see no interest in allocating income tax** between items that can be recycled and those that cannot be recycled. We would nevertheless welcome additional disclosure of the tax effect of each OCI items, in the notes.

### Questions 5

*5 In the Board's assessment:*

*(a) the main benefits of the proposals are:*

*(i) presenting all non-owner changes in equity in the same statement.*

*(ii) improving comparability by eliminating options currently in IAS 1.*

*(iii) maintaining a clear distinction between profit or loss and items of other comprehensive income.*

*(iv) improving clarity of items presented in OCI by requiring them to be classified into items that might be reclassified subsequently to profit or loss and items that will not be reclassified subsequently to profit or loss.*

*(b) the costs of the proposals should be minimal because in applying the existing version of IAS 1, entities must have all the information required to apply the proposed amendments.*

*Do you agree with the Board's assessment? Why or why not?*

(a) (i) The only interest of adding net income to other comprehensive income is to present the non-owner change in equity. We believe that these two components (net income and other comprehensive income) are very different in nature and that adding them is of no interest. We believe that the single statement will only increase confusion. The term comprehensive income in itself is misleading and it should simply be labeled non-owner change in equity.

(a) (ii) **We believe that comparability is not an issue as most companies, if not all, use the two statements option.** For the fiscal year of 2009, 100% of the companies included in the French main market index, CAC 40, used this option (see Appendix I). It is also true at the European level, as 100% of the companies included in the Stoxx 50 index used this option (see Appendix II). The general use of the two statements option simply reflects the different nature of net income and OCI. Additionally, we are

unaware of any frustration among users of this general use of the two statements option. The Board's suggestion of moving all reporting entities to an option that no one currently uses, and more importantly, that no user is requesting, seems to imply that the Board is unaware of the practice of the huge majority of preparers and has limited understanding of the users needs.

(a) (iii) **The easiest way to maintain a clear distinction between net income and other comprehensive income is to maintain the two statements option** (or to make it compulsory).

(a) (iv) As stated above, we see little value in the aggregation of other comprehensive income items on the basis on the possibility to recycle or not.

(b) We agree that the cost for preparers of the proposed changes would be minimal.

## Questions 6

6 Do you have any other comments on the proposals?

The first additional comment we would like to make regards **comprehensive income**.

About ten years ago, one of us joined a videoconference with the Board and some staff on what was called at this time, the Performance Reporting project. Regarding the comprehensive income concept, it was asked to the Board why this aggregate, which had been available for some years in some jurisdictions (the USA and the UK), was absolutely not used by analysts? The Board could not provide any answer.

SFAF Accounting Commission in its April 2009 comment letter on the discussion paper on the Financial Statement Presentation<sup>1</sup> stated that "*Net Income is a central element in the analysis of the performance of a company. Therefore, we strongly ask for its mandatory inclusion in the Financial Statements Presentation at the P&L level. Moreover, there has been no demonstration of the superiority of the Comprehensive Income over the Net Income Level from a practical perspective. Therefore, there is among users of financial statements a strong opposition for considering the Comprehensive Income as the main performance indicator*". In a very recent (January 2010) poll organized by SFAF<sup>2</sup>, it was showed that a overwhelming majority of users (83%) considered net income as the good starting point to assess the performance of a company, and only 6% would prefer comprehensive income.

In the last few years, we are aware that at least one major investment bank research department<sup>3</sup> considered the opportunity to use comprehensive income in its databases and

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<sup>1</sup> <http://www.fasb.org/cs/BlobServer?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1175818500138&blobheader=application%2Fpdf>

<sup>2</sup> [http://www.sfaf.com/images/home/pdf/Actualite\\_comptable\\_le\\_point\\_de\\_vue\\_des\\_utilisateurs\\_information\\_financiere.pdf](http://www.sfaf.com/images/home/pdf/Actualite_comptable_le_point_de_vue_des_utilisateurs_information_financiere.pdf)

<sup>3</sup> Deutsche Bank Securities.

research papers. After due consideration, the idea was dropped, as it was felt that it would be irrelevant for investors.

Recently, other groups of users have expressed similar views: the London-based CRUF group stated in its May 2009 comment letter on the discussion paper on Financial Statement Presentation that *“Comprehensive Income is not decision-useful (...) it is disappointing to see that the DP persists in promoting the merits of Comprehensive Income per se in the face of investor indifference. Comprehensive income has been reported under US GAAP for a number of years. If users found Comprehensive Income useful as a concept they would incorporate it in their valuation multiples or other analysis of companies. The fact that they do not do so anywhere in the world, and that companies do not mention it in their discussions with analysts, should be taken as reliable evidence that it is not a decision-useful piece of information in itself – it is merely a final total.”*

In the USA, as early as 2001, in the early stages of the Performance Reporting project, the FASB conducted a series of interviews with American users. The Summary of Users Interviews<sup>4</sup>, states in its first page, among the Summary of Principal Findings that there was *“Little demand for presentation of comprehensive income in a single statement”*.

Even during the joint work of the Boards on Financial Statement Presentation project it was made crystal clear that financial analysts have no interest in comprehensive income. In a September 2009 FASB-IASB document regarding the analysts field test<sup>5</sup>, it turned out (paragraph 32-33) that only 6% of the sample was using comprehensive income, whereas a vast majority (88%) was using established aggregates such as net income, EBIT, EBITDA, operating income... We understand that this sample (see paragraph 16) included users from all parts of the world. We have thus difficulties in understanding why, after such a clear message, the Board decided, again, to promote comprehensive income.

**By requiring one single statement instead of having an option to present two statements at a time where the Financial Statements Presentation project is still under discussion, the current project, once again, reflects the persisting promotion of comprehensive income by IASB in spite of a lasting, and clear, message of no interest coming from the user community. The fact that nobody uses it even where it is available is an additional proof of the total absence of demand for comprehensive income as a total from real users, except for explaining the change in equity. We tend to believe that this groundless and lasting promotion shows that IASB has a surprising ability to ignore users' needs when users have dissenting views. This kind of project also represents a serious waste of resources for IASB and the user community<sup>6</sup>.**

The second comment regards Mr Jan Engstrom's dissenting view.

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<sup>4</sup> <http://www.fasb.org/project/interviews.pdf>

<sup>5</sup> [http://www.fasb.org/cs/ContentServer?c=Document\\_C&pagename=FASB%2FDocument\\_C%2FDocumentPage&cid=1176156596964](http://www.fasb.org/cs/ContentServer?c=Document_C&pagename=FASB%2FDocument_C%2FDocumentPage&cid=1176156596964)

<sup>6</sup> For similar comments see CRUF FSP May 2009 comment letter, page 3 *“debating Board proposals represents a significant potential drain on our collective resources”*.

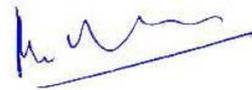
**We feel very close to the views of Mr Jan Engstrom. In particular, we believe that an adequate process would be to review all items currently in OCI and decide whether or not it should be in this section. This work, with a users perspective, is a necessary step in order to provide users with adequate and relevant financial statements. We were also astonished to read paragraph BC16 where, in substance, the Board is putting everything together in a single statement ending with comprehensive income just because they had no conclusion on what should be included in net income and what should be included in other comprehensive income.**

We thank you for the opportunity given to us to provide our view on such important aspects of financial reporting and remain available for any further information.

Yours faithfully,



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## Appendix I

<b>CAC 40 - FY 2009</b>		
	<b>Single statement option</b>	<b>Two statements option</b>
ACCOR		X
AIR LIQUIDE		X
ALCATEL-LUCENT		X
ALSTOM		X
ARCELORMITTAL		X
AXA		X
BNP PARIBAS		X
BOUYGUES		X
CAP GEMINI		X
CARREFOUR		X
CREDIT AGRICOLE		X
DANONE		X
DEXIA		X
EADS		X
EDF		X
ESSILOR INTL.		X
FRANCE TELECOM		X
GDF SUEZ		X
L'OREAL		X
LAFARGE		X

LAGARDERE S.C.A.		X
LVMH		X
MICHELIN		X
PERNOD RICARD		X
PEUGEOT		X
PPR		X
RENAULT		X
SAINT GOBAIN		X
SANOFI-AVENTIS		X
SCHNEIDER ELECTRIC		X
SOCIETE GENERALE		X
STMICROELECTRONICS		X
SUEZ ENVIRONNEMENT		X
TECHNIP		X
TOTAL		X
UNIBAIL-RODAMCO		X
VALLOUREC		X
VEOLIA ENVIRON		X
VINCI		X
VIVENDI		X
<b>Total</b>		<b>100%</b>

## Appendix II

<b>STOXX 50 - FY 2009</b>	<b>Single statement option</b>	<b>Two statements option</b>
ABB		X
ALLIANZ		X
ANGLO AMERICAN		X
ARCELORMITTAL		X
ASSICURAZIONI GENERALI		X
ASTRAZENECA		X
AXA		X
BARCLAYS		X
BASF		X
BAYER		X
BCO BILBAO VIZCAYA ARGENTARIA		X
BCO SANTANDER		X
BG GRP		X
BHP BILLITON		X
BNP PARIBAS		X
BP		X
BRITISH AMERICAN TOBACCO		X
CREDIT SUISSE GRP		X
DAIMLER		X
DEUTSCHE BANK		X
DEUTSCHE TELEKOM		X
DIAGEO		X
E.ON		X
ENI		X
ERICSSON LM B		X
FRANCE TELECOM		X
GDF SUEZ		X
GLAXOSMITHKLINE		X
GRP SOCIETE GENERALE		X
HSBC		X
IBERDROLA		X
ING GRP		X
INTESA SANPAOLO		X
NESTLE		X
NOKIA		X
NOVARTIS		X
RIO TINTO		X

ROCHE HLDG P		X
ROYAL DUTCH SHELL A		X
RWE		X
SANOFI-AVENTIS		X
SAP		X
SIEMENS		X
TELEFONICA		X
TESCO		X
TOTAL		X
UBS		X
UNICREDIT		X
UNILEVER NV		X
VODAFONE GRP		X
<b>Total</b>		<b>100%</b>