



**ICGN**

International Corporate Governance Network

By email: [commentletters@iasb.org](mailto:commentletters@iasb.org)

Sir David Tweedie, Chairman  
International Financial Reporting  
Standards Board (IFRS Board)  
30 Cannon Street  
London EC4M 6XH, UK

19 October, 2010

**Re: Presentation of Items of Other Comprehensive Income - Proposed amendments to IAS 1**

Dear Chairman Tweedie,

We are writing on behalf of the International Corporate Governance Network (ICGN). The ICGN is a global membership organisation of institutional and private investors, corporations and advisors from 50 countries. Our investor members are responsible for global assets of USD \$9.5 trillion.

The ICGN's mission is to raise standards of corporate governance worldwide. In doing so, the ICGN encourages cross-border dialogue at conferences and influences corporate governance public policy through ICGN Committees. We promote best practice guidance, encourage leadership development and keep our members informed on emerging issues in corporate governance through publications and the ICGN website. Information about the ICGN, its members, and its activities is available on our website: [www.icgn.org](http://www.icgn.org).

The purpose of the Accounting and Auditing Practices Committee (A&A Practices Committee) is to address and comment on accounting and auditing practices from an international investor and shareowner perspective. The Committee through collective comment and engagement strives to ensure the quality and integrity of financial reporting around the world.  
[http://www.icgn.org/policy\\_committees/accounting-and-auditing-practices-committee/](http://www.icgn.org/policy_committees/accounting-and-auditing-practices-committee/)

We are pleased to respond to your request for comment on the Exposure Draft (ED)/2010/5, Presentations of Items of Other Comprehensive Income – Proposed amendments to IAS 1. ICGN suggests that both the IASB (IFRS Board) and the Financial Accounting Standards Board (FASB) establish a joint project on an expedited basis to establish a principally-sound definition of the types of activities which should qualify to be presented in other comprehensive income (OCI). It is important that the Boards establish a principle that contemplates what type of activities (if any) should be eligible for this category. As it stands today, the lack of a conceptual definition for OCI highlights the need for both Boards to collectively pursue this. We are unsure of the joint efforts by the Boards, though although a collective discussion, this ED on Other Comprehensive income was not jointly released with the FASB.

**Question 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?*

The FASB issued in May 2010 an exposure draft on the Statement of Comprehensive Income, Topic 220 that proposes amendments which would result in converged guidance on how comprehensive income is presented under both U.S. GAAP and IFRS. Illustration 220-10-55-7 in the FASB's proposal illustrates the Statement of Comprehensive Income. We recommend being consistent with the FASB's current proposal that the IASB not change the naming of this statement or the FASB change to Statement of Profit or Loss and Other Comprehensive Income. We believe if the standards are to converge that naming of statements should be consistently applied.

**Question 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?*

Yes, we agree that a single statement (continuous statement) of Comprehensive income which depicts Profit and Loss (and related components) and a separate section of Other Comprehensive income (OCI) will improve the comparability, transparency, consistency and understandability of financial statements. Since currently, US GAAP still provides for OCI in the statement of equity, however, with respect to IFRS it is more a question of layout.

The current format was introduced as of the 2009 fiscal year and we agree and appreciate the effort of attempted harmonization with US GAAP. As noted in our opening comments the IASB and FASB need to resolve differences in what types of activities (if any) should be eligible for other comprehensive income (OCI). It is important that the conceptual issues surrounding OCI are resolved.

This issue should be considered together with other topics in the project on financial statement presentation. We strongly agree with the minority view of Mr Engstrom. There is no conceptual basis for the decisions that have recently been made concerning other comprehensive income. The conceptual problems should be solved and expedited collectively by both Boards.

**Question 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?*

We believe the issue of recycling and the definition of activities included in OCI should be debated by both the FASB and IASB at the conceptual level first. In the meantime, we agree that further disclosure of OCI with the grouping of items will provide better clarity and understanding of items in OCI. The proposal recommends that OCI include line items that will be reclassified to profit or loss, items that will not

be reclassified and share of OCI of associates and joint ventures accounted for using the equity method.

**Question 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?*

We agree to this proposal that in case there will be made such an allocation that then the allocated income tax will also have to be allocated. Again, we believe the conceptual framework surrounding OCI needs to be addressed urgently.

From the viewpoint of comparability, we support requirements that OCI be presented before income tax effects and separately a line item of income tax related to components of OCI (as per page 15 of ED /2010/5).

**Question 5**

*In the Board's assessment:*

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

*BC32–BC36*

- 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.*

We believe frequent changes in presentation impose a cost on users and preparers and destroy consistency and comparability over time.

*(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?*

ICGN believes that the proposed change will not result in significant additional costs since it deals with the presentation of information that is already produced by preparers. Accordingly, we believe the long-term benefits of this ED will exceed any potential additional costs incurred by a reporting entity.

**Overall**

We encourage the IASB and the FASB to continue to collaborate and resolve substantive differences in order to continue progress towards convergence to one set of high quality global standards. We believe it is important to issue EDs collectively and to point out current differences and how the Boards plan to resolve these to ensure a more seamless path towards convergence.

If you would like to discuss any of these points, please do not hesitate to contact Carl Rosén, our Executive Director, at +44 (0)207 612 7098 or [carl.rosen@icgn.org](mailto:carl.rosen@icgn.org).

Thank you for your attention and we look forward to your response on the points above.

Yours sincerely,



Christy Wood  
Chairman, ICGN Board of Governors



Elizabeth Murrall  
Co-Chair, ICGN Accounting and  
Auditing Practices Committee



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