The World Bank

CHARLES A. MCDONOUGH
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International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
UNITED KINGDOM

Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116
USA

Re: IASB’s Exposure Draft ED/2010/5 Presentation of Items of Other Comprehensive Income, and
FASB’s Proposed Accounting Standards Update Comprehensive Income (File Reference No. 1790-100)

Dear Sir/Madam,

The World Bank is pleased to have an opportunity to provide comments on the exposure drafts on comprehensive income. Overall, we support the proposals to mandate a single continuous statement of comprehensive income/profit and loss and other comprehensive income with two parts, for net income and other comprehensive income. We believe that it will improve the comparability, transparency, and understandability of financial statements.

We also support the FASB’s requirement to display reclassification (recycling) adjustments for each component of other comprehensive income in both net income and other comprehensive income, and the IASB’s proposal to present separately within comprehensive income the items that will be reclassified to profit or loss and those that will not be reclassified to profit or loss.

Although in form the statement of comprehensive income prepared under US GAAP will look similar to the statement of profit and loss and other comprehensive income prepared under IFRS, the substance of what constitutes each statement will remain different because of the significantly different requirements regarding the use of other comprehensive income. Without a joint reconsideration of the conceptual foundations of the use of OCI,
achieving consistent presentation of inconsistent items falls far short of reaching meaningful convergence.

In this context, we are concerned about the increasing use of other comprehensive income in recent exposure drafts, such as those on financial instruments and post-employment benefits. As this only serves to increase the inconsistency and decrease comparability for users who will face even greater challenges in trying to compare financial statements prepared under the two bases, regardless of similarities in the presentation of financial performance statements.

Until the Boards address and reconcile the underlying conceptual differences about whether comprehensive income is a performance measure (which will resolve issues of recycling as well), and then agree on principles for what constitutes other comprehensive income (if anything), no true convergence can be achieved beyond the superficial display similarities. Therefore we urge the Boards to continue working on achieving convergence in this area in order to provide users of the financial statements with truly comparable statements of comprehensive income/ statement of profit and loss and other comprehensive income.

Thank you, again, for the opportunity to comment on this exposure draft.

Sincerely,

Chuck McDonough
Vice President and Controller