

JUNE 15, 2011



In Focus

Accounting Standards Update No. 2011-05: *Presentation of Comprehensive Income*

Under both US GAAP and International Financial Reporting Standards (IFRS), a full set of financial statements must present comprehensive income in two parts, net income and its components and other comprehensive income and its components.

Current US GAAP allows reporting entities three alternatives for presenting other comprehensive income and its components in financial statements. One of those presentation options is to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. In contrast, under IFRS, reporting entities may present components of other comprehensive income either in a single statement of comprehensive income or in the second of two consecutive statements. Under IFRS reporting, entities may not present the components of other comprehensive income in the statement of changes in equity.

Several recent projects, such as accounting for financial instruments and, at the IASB, pension accounting may increase the volume of and complexity

of items reported in other comprehensive income. As a result, the FASB and IASB undertook a joint project to address concerns about differences in how comprehensive income is reported and to increase the prominence of other comprehensive income in financial statements. This project does not change whether items are reported in net income or in other comprehensive income and did not change the guidance on whether and when items of other comprehensive income are reclassified to net income. The project did address concerns about how reclassifications are presented in financial statements.

All entities that report items of other comprehensive income, in any period presented, will be affected by the changes in this Update.

Essential Elements

To increase the prominence of items reported in other comprehensive income, the FASB decided to eliminate the option to present components of other comprehensive income as part of the statement of changes in

stockholders' equity, among other amendments in this Update. For both US GAAP and IFRS, the amendments require that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements.

In a single continuous statement, the entity is required to present the components of net income and total net income, the components of other comprehensive income and a total for other comprehensive income, along with the total of comprehensive income in that statement. In the two-statement approach, an entity is required to present components of net income and total net income in the statement of net income. The statement of other comprehensive income should immediately follow the statement of net income and include the components of other comprehensive income, a total for other comprehensive income, and a total for comprehensive income.

Regardless of whether an entity chooses to present comprehensive income in a single

For more information about the project, please visit the FASB's website at www.fasb.org.

continuous statement or in two separate but consecutive statements, the entity is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented.

An option remains in place for an entity to present components of other comprehensive income either net of related tax effects or before related tax effects, with one amount shown for the aggregate income tax expense or benefit related to the total of other comprehensive income

items. In both cases, the tax effect for each component must be disclosed in the notes to the financial statements or presented in the statement in which other comprehensive income is presented. The amendments do not affect how earnings per share is calculated or presented.

The amendments did not completely converge how comprehensive income is reported under US GAAP and IFRS. Differences remain between the two standards as to whether an item of income is initially reported in net income or other comprehensive income. In addition, under IFRS not all items of other comprehensive income must be reclassified to net income.

When Will the Amendments Be Effective?

The amendments in this Update should be applied retrospectively. For public entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter.

Early adoption is permitted, because compliance with the amendments is already permitted. The amendments do not require any transition disclosures.

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