



COMMITTEE ON CORPORATE REPORTING

September 29, 2010

Mrs. Leslie Seidman, Acting Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Sir David Tweedie, Chairman  
International Accounting Standards Board  
30 Cannon Street  
London EC4M6xh  
United Kingdom

Re: ED – Comprehensive Income – File Reference 1790-100  
ED – Presentation of Items of Other Comprehensive Income – Reference  
ED/2010/5

To Whom it May Concern:

On behalf of the Committee on Corporate Reporting (“CCR”) of Financial Executives International (“FEI”), please find our comments concerning the presentation of Comprehensive Income and its elements.

FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. CCR is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CCR and not necessarily the views of FEI or its members individually.

We support the convergence efforts of the Financial Accounting Standards Board (“FASB”) and the International Accounting Standards Board (“IASB”) and we know that addressing the components of Other Comprehensive Income (“OCI”) and the interaction of OCI with Net Income and/or Retained Earnings (“recycling”) are important convergence steps.

In their respective exposure documents, both the FASB and the IASB call for a single continuous statement of Comprehensive Income with subtotals provided for Net Income and Other Comprehensive Income. We are pleased that the definitions of Net Income and Earnings Per Share (“EPS”) will not be impacted by the proposed requirements, but concerned that their revised presentation – separated by OCI information – will be confusing to many investors, and some may wrongly conclude that EPS measures

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incorporate OCI items. We also object, to Net Income – one of our most important performance measures – being presented as a sub-total, an outcome that could serve to conceal its importance or could also be viewed as a precursor to eventually eliminating Net Income as a measure of EPS.

While OCI comprises important information, many of the components are longer-term in nature, whereas Net Income provides a view into current operating performance. The proximity of the two measures in a single continuous statement could serve to blur these very real differences.

While the elements of OCI deserve attention, they do not, on a collective basis, convey a cohesive message, whereas Net Income does.

- The Net Income statement groups activities with similar characteristics (e.g., revenues, expenses) for a defined period, while the OCI statement comprises items that are quite different from each other. We believe that the FASB, by permitting the use of a label starting with “Other,” acknowledges this mixed nature that defies a unifying term.
- The statement of OCI requires the identification of the tax impact by event, rather than by grouping most tax effects into a single line, as in the statement of Net Income. We believe that this requirement also reflects an acknowledgement of the disjointed nature of OCI items.
- While OCI items do measure a certain type of performance, there is the potential that many of these amounts may never be realized or realized at a different amount based on future events or circumstances.

As such, we believe that a continuing distinction between the two measures is important.

Further, while we agree that OCI is not well-understood, we do not find this proposal to mandate a single continuous statement of Comprehensive Income a compelling remedy for this lack of understanding.

Based on our experiences, OCI is not a metric that is heavily used by the user community. In fact, many of our member companies have never received a single question about OCI from the user community.

Regarding cost, the tangible cost of implementation is not expected to be great; however, we do foresee an intangible cost associated with the diminishment of Net Income, as this important metric will become obscured in a single continuous statement.

Recommendation: We recommend that the Board continue to permit optionality in the presentation of Comprehensive Income and allow preparers to choose between a single, continuous statement of Comprehensive Income or a two-statement approach. We believe that a two-statement solution will provide additional prominence to elements of OCI while not diminishing the importance of Net Income to the users of our financial statements.

However, if a single continuous statement of Comprehensive Income is ultimately adopted, we request that the final Accounting Standards Update on Comprehensive Income address the presentation of non-controlling interests in both Net Income and Comprehensive Income, and address the presentation of preferred stock dividends, in the illustrative guidance. Otherwise, the statement will not be continuous.

Thank you for the opportunity to share our thoughts with you. We would be happy to discuss them at any time. If you have any questions, please contact Lorraine Malonza at 973-765-1047 or [lmalonza@financialexecutives.org](mailto:lmalonza@financialexecutives.org).

Our responses to the Questions for Respondents follow.

Sincerely,

A handwritten signature in cursive script that reads "Loretta Cangialosi".

Loretta V. Cangialosi  
Chair, Committee on Corporate Reporting  
Financial Executives International

## **FASB – Questions for Respondents**

**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 1:

No. We do not agree that mandating a continuous statement of Comprehensive Income would increase comparability, transparency or understandability. Current requirements permit interested users to identify elements of Other Comprehensive Income (transparency) and to compare those elements among companies (comparability). As to understandability, to the extent that users have difficulty understanding OCI, its components and the drivers of current period activity, we don't believe that mandated positioning will resolve those issues.

In particular, for the reasons cited in the body of our letter above, we feel it is inappropriate for public companies to present a combined statement along with EPS data; therefore, the option to present two separate statements is more appropriate.

Further, as expressed in the main body of our letter, we strongly object to a mandated diminishment of Net Income, one of our most important performance measures.

**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 2:

Yes. This optionality would continue to allow preparers the ability to evaluate the most meaningful presentation of their particular OCI elements within the context of their overall financial statements and to tailor the presentation accordingly.

**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 of comprehensive income would improve the understandability and comparability of financial statements?**

Response 3:

We agree that the display/disclosure of reclassification adjustments is important to an understanding of the connections between Net Income and OCI and would aid in financial statement comparability. However, we do not view it as critical that "both sides" be shown. Given the limited number of components within OCI, we agree that presenting the reclassification adjustments, either on the face of the financial statements or disclosed in the footnotes for each of these elements, is practical for the statement of OCI. If the

description of “reclassification adjustments” is transparent, we see limited usefulness in presenting the other side of this balanced equation. We would support disclosure of the location in Net Income of the ‘other side’ of the reclassification adjustment.

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

Response 4:

The direct, out-of-pocket costs incurred as a result of the proposed changes would be expected to be minimal to the reporting entity. However, we do foresee an intangible cost associated with the diminishment of Net Income, as this important metric will become obscured.

**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 5:

No.

**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 6:

No.

## **IASB – Questions for Respondents**

**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?**

Response 1:

As per above, we would prefer the option of a two-statement approach.

We believe that the title of any financial statement should be descriptive and not misleading. We observe that a variety of financial statement titles could meet those two objectives.

**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?**

Response 2:

No. Current requirements permit interested users to identify elements of Other Comprehensive Income and to compare those elements among companies.

As per above, we would prefer the option of a two-statement approach

**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?**

Yes. If all elements of OCI will not be recycled into profit or loss, we believe that the presentation should distinguish among these elements.

**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?**

Response 4:

Yes. If all elements of OCI will not be recycled into profit or loss, we believe that the presentation should distinguish among these elements, including tax impacts.

**Question 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?**

Response 5:

With respect to 5(a)(iii), we would prefer the option of a two-statement approach, which would help to ensure a clear distinction between profit or loss and items of Other Comprehensive Income.

**Question 6: Do you have any other comments on the proposals?**

Response 6:

No.