



Via Email: [director@fasb.org](mailto:director@fasb.org)

October 12 2010

FASB Technical Director  
Financial Accounting Standards Board  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

**Re: File Reference No. 1790-100, Exposure Draft Comprehensive Income (Topic 220), Statement of Comprehensive Income**

Dear Director:

The Investors Technical Advisory Committee (ITAC) welcomes the opportunity to respond to the Financial Accounting Standards Board (FASB, Board) regarding the Board's Exposure Draft on Comprehensive Income, Topic 220 (ED). Our input is based upon our perceptions as users of financial statements and our goal is to improve the clarity, completeness, and usefulness of financial statements. ITAC supports highly transparent, timely and comparable reporting of transactions and events in the primary financial statements by all companies.<sup>1</sup>

In July 2009, ITAC provided its comments on the Board's Discussion Paper: Preliminary Views on Financial Statement Presentation (File Reference No. 1630-100), which covered many of the questions and concepts outlined in this ED<sup>2</sup>. We are supportive of the FASB's overall position outlined in this ED and believe it provides guidance and clarity that will improve the overall quality of financial reporting.

ITAC's viewpoints on the presentation and components of comprehensive income remain consistent with those we expressed in our July 2009 letter on all salient points and that for brevity we do not reiterate. Accordingly, please consider our responses to the following questions outlined in the ED in conjunction with the views and the related rationale we have provided to the Board in our previous letter on the topic:

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<sup>1</sup> This letter represents the views of the ITAC and does not necessarily represent the views of its individual members or the organizations by which they are employed. ITAC views are developed by the members of the Committee independent of the views of the FASB and its staff. For more information about the ITAC, including a listing of the current members and the organizations by which they are employed, see

[http://www.fasb.org/investors\\_technical\\_advisory\\_committee/itac\\_members.shtml](http://www.fasb.org/investors_technical_advisory_committee/itac_members.shtml)

<sup>2</sup> Letter from Rebecca McEnally, Member, ITAC to Mr. Russell Golden, FASB Technical Director, Financial Accounting Standards Board, Discussion Paper Preliminary Views on Financial Statement Presentation, July 1, 2009.

<http://www.fasb.org/cs/BlobServer?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1175819255831&blobheader=application%2Fpdf>

**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?*

Yes, we agree that a continuous statement of comprehensive income will improve the comparability, transparency, consistency and understandability of financial statements as well as reduce their complexity.

We agree that **all** revenues and expenses, gains and losses (i.e., all components of comprehensive income) should be presented in a **single** statement of comprehensive income. *All items of other comprehensive income should be presented in the same manner as all other nonowner changes in assets and liabilities.*

Above all, we believe no items of changes in assets or liabilities arising from non-owner transactions during the reporting period should be permitted to circumvent net income (profit and loss) and permanently remain in other comprehensive income as has been occasionally proposed.

It is important to point out that an investor representative on the Board in 1997 when Statement 130 was issued dissented to the issuance of the standard on the basis that it would not significantly enhance the visibility of items of OCI, which was the primary objective in undertaking the current project. The dissenting Board members wrote the following in their basis for conclusions:

"Messrs. Cope and Foster believe that the Board inappropriately failed to respond to the clear and unequivocal call from users of financial statements for the transparent presentation of all items of comprehensive income, whose request is acknowledged in paragraphs 40 and 41 of this Statement. While many respondents to the Exposure Draft asserted that users would be confused by the presentation of comprehensive income, the users that testified at the public hearing on this project categorically denied that that would be the case."

The dissenters also note:

"The Board's project on accounting for derivative instruments and hedging activities was undertaken to enhance the visibility and understanding of those transactions and their effects on financial position and performance. Messrs. Cope and Foster believe that if certain of those effects are reported as items of other comprehensive income, application of this Statement in conjunction with that reporting is likely to do little to achieve that objective. In their view, that is inappropriate, particularly when the potential for significant impact that derivative instruments have on an enterprise's performance is an important concern."

**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 either in the statement of comprehensive income or in the notes to the financial statements?*

We would prefer to see a single line item for taxes in two parts - included for net income and other comprehensive income, supported by a sufficiently detailed schedule in the notes to permit investors to evaluate the various components of the reported taxes and their implications for their analysis of the future prospects of income taxes for the company. Illustration 220-10-55-8A provides a clear example of a table to be included in the notes to the financial statements that explains the various components of reported taxes. We would also support an alternative that would provide for each of the tax amounts for each component to be displayed parenthetically in the statement of comprehensive income.

**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?*

Yes, we believe this requirement will provide additional clarity and comparability if the reclassification adjustments for each component of other comprehensive income are displayed in both net income and other comprehensive income.

**Question 4**

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

Although we are not preparers of financial statements we believe 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 additional costs, if any, incurred by a reporting entity.

**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?*

Because the amendments in the proposed Update on financial instruments provides guidance regarding recognition and measurement of items reported in comprehensive income, it would appear that neither the FASB nor the IASB financial instrument proposals would be operational without having this important financial statement presentation change in place. That said, the implementation of the changes proposed by the ED are not dependent on the Boards' respective financial instrument projects and as we discussed in our response to question 4, we believe companies will not face

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substantial challenges in implementing what we believe is substantially “geographical” presentation changes.

From that perspective, we would argue that the changes to the comprehensive income presentation in the financial statement presentation proposed by the ED should be adopted and implemented immediately. Adopting these changes before the contemplated financial instrument proposal changes are introduced will benefit investors since they would have had some experience with analyzing financial reports presented using the new presentations before some of these other substantive projects started populating that new presentation with new activity which will require them to invest some amount of time to move up the learning curve.

**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?*

We would prefer to have earning per share calculated on both a net income and comprehensive income basis. Like with net income effects, the effects that run through other comprehensive income do have implications on the value of shares. Conceptually, we had difficulty framing the Boards’ decision to omit a comprehensive income per share metric in the context of a principle.

**Other Observations**

While the Board does not ask us to comment on the relationship between the conceptual framework and other comprehensive income in this invitation to comment, we feel it is important that we address this topic. We are pleased to see the FASB pursue these proposed presentation changes on an expedited basis. That said, we feel it is crucial that the Board follow this project with an urgent project which will look to establish a principally-sound definition of the types of activities which should qualify to be presented in other comprehensive income. In the past several years, we have seen both the IASB and the FASB look to expand their use of the OCI category. It is important that the both Boards establish a principle that contemplates what types of activities (if any) should be eligible for this category. As it stands today, the lack of a conceptual definition for OCI is a glaring flaw which is we believe is crucial for the Boards’ collective pursuit of high-quality, principles-based accounting standards.

The ITAC appreciates this opportunity to provide its perspective to the Board and its staff on the ED. Should you wish further clarification of our views, we would be please to respond.

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Sincerely,

Investors Technical Advisory Committee

By:

A handwritten signature in blue ink that reads "Mary Hartman Morris". The signature is written in a cursive style with a large initial 'M'.

Mary Hartman Morris  
Member

Cc: Jon Arnar Baldurs, Project Manager,  
International Financial Reporting Standards Board