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Ref.: ACC/HvD/TS/ID

Dear Ms. Flores,

Re: FEE Comments on EFRAG's Draft Comment Letter on IASB Exposure Draft Presentation of Items of Other Comprehensive Income (Proposed amendments to IAS 1)

- (1) FEE (the Federation of European Accountants) is pleased to comment on the EFRAG Draft Comment Letter on Presentation of Items of Other Comprehensive Income (Proposed amendments to IAS 1) (the "ED").
- (2) Generally, we agree with the views expressed by EFRAG in its draft comment letter.
- (3) Similar to EFRAG, we do not support the elimination of the current option of presenting performance in two statements before a thorough debate on fundamental issues relating to the concept of performance reporting has taken place. No progress has been made on this issue since the IASB determined to allow a presentation option in IAS 1.
- (4) We agree with EFRAG that the current proposal requiring a single statement of comprehensive income does not represent an improvement as compared to current financial reporting.
- (5) Like EFRAG, we agree with the proposed disaggregation of the items and related income taxes within other comprehensive income into recyclable and non-recyclable components.
- (6) In addition, to the extent that non-recyclable components are not reclassified to another reserve (e.g. retained earnings) as permitted or required by other standards, the presentation of the accumulated amounts in the statement of changes in equity disaggregated into recyclable and non-recyclable components would also provide useful information in the financial statements, which is currently not contemplated by the ED.

- (7) In summary, we think that there is no urgent need for the ED. The IASB should focus on completing the Financial Statement Presentation project first in order to conclude on what constitutes performance and to address other fundamental issues on recycling. Only then, the presentation of the performance statement could be determined based on these principles.

Our comments on the Appendix of the EFRAG draft comment letter including responses to the questions in the Invitation to comment of the ED are contained in the Appendix to this letter.

For further information on this letter, please contact Tibor Siska, Project Manager.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Hans van Damme', written over a horizontal line.

Hans van Damme
President

Appendix – Comments on Appendix of the EFRAG draft comment letter including responses to the questions in the Invitation to comment of IASB Exposure Draft Presentation of Items of Other Comprehensive Income (Proposed amendments to IAS 1)

Appendix

Question 1 – Statement of profit or loss and other comprehensive income (title)

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?

- (8) As explained later on in this letter, we strongly disagree with the proposal to require the presentation of profit and loss and of other comprehensive income in a single statement.
- (9) On the other hand, like EFRAG, we agree that the change in the suggested title of the single statement would provide greater clarity on the content of that statement. However, we note that the IASB is proposing to include an alternative title that entities may want to use. Such alternative titles are not provided for the other statements such as the statement of financial position. We believe that the inclusion of this example of an alternative title decreases the relevance of the proposed change and will contribute to diversity in practice. Accordingly, we suggest that the IASB should delete the example of an alternative title.

Question 2 – Statement of profit or loss and other comprehensive income (single statement)

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?

- (10) Similar to EFRAG, we do not support the removal of the current option of presenting performance in two statements and the mandate of a single statement. We think that both presentation options currently available in IAS 1 should be retained until thorough debate on the concept of performance reporting has taken place.
- (11) IAS 1 *Presentation of Financial Statements* does not provide a clear conceptual basis on what items should be presented in the profit or loss or in other comprehensive income and what items should be recycled subsequently. Despite the fact that the concept of performance reporting and what constitutes performance has not been defined yet, the IASB proposes items to be included in the other comprehensive income on a project-by-project basis, for instance as part of IFRS 9 or the proposed amendments to IAS 19. Therefore, we believe that it is becoming increasingly important for the IASB to address fundamental issues underlying performance reporting before it decides on the presentation of performance.
- (12) Until such a debate takes place, the reasons that led the IASB to allow the two-statement option within IAS 1 continue to exist as noted by Mr Engstrom's alternative view (AV1-AV5).

Appendix – Comments on Appendix of the EFRAG draft comment letter including responses to the questions in the Invitation to comment of IASB Exposure Draft Presentation of Items of Other Comprehensive Income (Proposed amendments to IAS 1)

- (13) Like EFRAG, we are not convinced that there is a comparability issue in how other comprehensive income is presented at this stage. The single statement option as currently available in IAS 1 is not widely used in Europe. Therefore, we do not see an urgent need for the introduction of new presentation requirement for performance reporting while the project on the Presentation of Financial Statements is postponed.
- (14) For all of these reasons, like EFRAG, we do not think that the proposal requiring a single statement of comprehensive income represents an improvement to the current financial reporting.

Question 3 – Presentation of other comprehensive income (disaggregation)

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?

- (15) Similar to EFRAG we support this proposed amendment. We agree that the separate presentation of items of other comprehensive income that are subject to subsequent reclassification to profit or loss and those that will never be reclassified will improve financial reporting.
- (16) In addition, we note that the ED proposes to require disaggregation of the other comprehensive income components from a statement(s) of performance perspective only. To the extent that non-recyclable components are not reclassified to another reserve (e.g. retained earnings) as permitted or required by other standards, we consider that it would be useful to also disaggregate the accumulated amounts in the statement of changes in equity into recyclable and non-recyclable components. This would increase the usefulness of the information provided on the potential future impact of the items included in other comprehensive income.

Question 4 – Presentation of other comprehensive income (income tax)

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?

- (17) We agree with EFRAG that the proposal to allocate income tax between recyclable and non-recyclable components of other comprehensive income is consistent with the current requirements in IAS 1 *Presentation of Financial Statements* and with the proposal to disaggregate the components themselves. Therefore, we support the income tax allocation proposal.

Appendix – Comments on Appendix of the EFRAG draft comment letter including responses to the questions in the Invitation to comment of IASB Exposure Draft Presentation of Items of Other Comprehensive Income (Proposed amendments to IAS 1)

Question 5 – Benefits and costs

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?

- (18) We disagree with the IASB's assessment of benefits in the relation to the proposal to eliminate the options of presenting performance statements as currently available in IAS 1. We do not think that there is a comparability issue at this stage nor do we think that the proposed amendment would improve the ability of users to understand an entity's performance.
- (19) On the other hand, we agree with the IASB's assessment of the benefit in relation to the proposed disaggregation of the components of other comprehensive components.
- (20) We also agree that the costs involved to implement the proposed changes should be minimal.

Question 6

Do you have any other comments on the proposals?

Transitional requirements

- (21) Like EFRAG, while we do not support the amendment, should the IASB proceed with its proposal to impose the presentation of profit and loss and of other comprehensive income in a single statement, we agree that the change should be applied retrospectively to increase comparability and the usefulness of the information provided in the financial statements.