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THE
INSTITUTE OF
CHARTERED
ACCOUNTANTS
OF SCOTLAND



Ms Françoise Flores
Chairman
European Financial Reporting Advisory Group
35 Square de Meeûs
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3 September 2010

Dear Ms Flores

**IASB EXPOSURE DRAFT ED/2010/5: PRESENTATION OF ITEMS OF OTHER
COMPREHENSIVE INCOME**

The Institute's Accounting Standards Committee has considered the above exposure draft and is pleased to forward a copy of the response letter to be submitted to the IASB – please see attached.

Yours sincerely

KAREN SHAW
Assistant Director, Accounting and Auditing
Secretary to the Accounting Standards Committee

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OF SCOTLAND



Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
LONDON
EC4M 6XH

3 September 2010

Dear Sir David

IASB EXPOSURE DRAFT ED/2010/5: PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The Institute's Accounting Standards Committee has considered the above exposure draft and I am pleased to forward its comments to the IASB.

The Institute is the first incorporated professional accountancy body in the world. The Institute's Charter requires the Accounting Standards Committee to act primarily in the public interest, and our responses to consultations are therefore intended to place the general public interest first. Our Charter also requires us to represent our members' views and protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

The Committee believes that financial statements have become long and unwieldy – they no longer present a clear picture of an entity's performance and position. We firmly believe that the development of accounting standards should be based on a set of high level principles, facilitating the exercise of judgement in the application of these principles by the skilled professional accountant.

The concept of performance is fundamental to financial reporting and we strongly believe that there needs to be a proper discussion and debate around this concept and how performance is then to be presented in the financial statements. We believe that there is a real risk that the IASB loses sight of the ultimate objective to enable the reporting of decision-useful information. The current exposure draft does not sufficiently address the underlying issues of performance reporting. As commented before, we believe that the IASB should develop a set of coherent principles to guide the presentation and treatment of other comprehensive income, particularly in relation to subsequent reclassification (recycling) to profit or loss.

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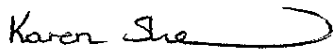
We do not support the mandatory single statement of other comprehensive income for all non-owner changes in equity. The decision to use a single statement or separate statements (which must in any case be presented next to each other) should be a principles-based judgement for the preparer. We believe that most preparers currently choose to present separate statements, and the proposal for a single statement does not provide any additional or more relevant information for users than can be achieved through two statements.

Nevertheless, the Committee agrees with the proposal to present separately recycleable and non-recycleable items of other comprehensive income, particularly when there does not appear to be any guiding principle for recycling in IFRS. However we believe that this is a minor technical point in the context of a need for a full and proper debate surrounding the whole area of financial performance reporting.

Our responses to the specific questions can be found in the annex to this letter.

I hope our comments are useful to you. If you wish to discuss anything further please do not hesitate to contact me.

Yours sincerely



KAREN SHAW
Assistant Director, Accounting and Auditing
Secretary to the Accounting Standards Committee

ANNEX: RESPONSES TO SPECIFIC QUESTIONS

Question One

The Board proposes to change the title of the statement 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?

The Committee objects to the overall proposal to remove the option to use two statements. However, where one statement is used we have no objection to the use of the above title. We also support the option to use different titles where these are appropriate.

Question Two

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?

The Committee does not agree with this proposal. As we have already stated, we believe that due process requires a proper discussion and debate around the concept of performance reporting and these proposals pre-empt such a debate. We believe that including items of profit and loss and items of other comprehensive income in the same statement could result in more confusion and make it more difficult for users to distinguish these conceptually different items. In addition, a single statement does not provide any additional or more relevant information for users than can be achieved through two statements. Indeed, it could mean that some preparers will have to reduce the font size to enable it to fit on a single page. We firmly believe that the option to present in two separate statements should be retained.

Question Three

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?

We agree with this proposal. However, we believe that this is a minor technical point and this issue could have been dealt with through the Annual Improvements Process.

Question Four

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?

We agree with this proposal but also suggest that this is another technical point which could have been dealt with through the Annual Improvements Process rather than in this separate exposure draft.

Question Five

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?

As we have already stated above we do not agree that the option to present two separate statements should be eliminated and we do not believe that this proposals would improve clarity and consistency of reporting. We believe that a clear distinction between items of OCI and items of profit and loss is better achieved through two separate statements.

We agree with the benefit in (a) (iv) above.

We agree that the costs will be minimal.

Question Six

Do you have any other comments on the proposals?

We have no further comments on the proposals.