

The IASB and FASB are undertaking a joint project to amend IAS 1 *Presentation of Financial Statements*, to require a single, continuous statement of Other Comprehensive Income (OCI). The Boards issued an exposure draft in May 2010. The proposed amendment would not change the items that must be reported in OCI.

At the November 2010 joint meeting, the staff presented the Boards with a detailed analysis of respondent feedback and posed several questions to the Boards on the best way forward with the project. The Boards decided to move forward with the project while acknowledging that there is a need to develop a conceptual framework for OCI.

The Boards then discussed whether to require a single continuous statement of comprehensive income as proposed in the ED. The Boards considered alternative approaches and decided in favour of permitting the option for reporting entities to present OCI in a continuous statement of comprehensive income or in two separate but consecutive statements (currently one of the presentation options in IFRS and US GAAP). The Boards also decided that separate titles should be used if two statements are presented, and those titles should be "Statement of Profit or Loss" and "Statement of Other Comprehensive Income".

The IASB confirmed its proposal included in the ED that requires entities to present items of OCI that will be reclassified to profit or loss (recycled) in subsequent periods separately from items of OCI that will not be reclassified to profit or loss.

The IASB decided to make its final standard effective for fiscal years beginning on or after 1 July 2012 and require full retrospective application.

Summary of proposals

Principal features

The option to present a separate statement of profit or loss and a separate statement of other comprehensive income would be eliminated. All entities would be required to present a single continuous statement comprising both profit or loss and other comprehensive income for the period.

Profit or loss would be a required sub-total, thereby preserving the notion of profit or loss, with total comprehensive income being the final total/line item.

The calculation of other performance indicators, such as earnings per share (EPS), would remain unaffected by the proposals.

Other proposed changes:

Other comprehensive income items would be grouped into:

- items that might be reclassified to profit or loss in subsequent periods; and
- items that would not be reclassified to profit or loss in subsequent periods.

Income tax would be allocated between the above groupings of other comprehensive income where it is presented before related income tax effects.

Thinking ahead

The recent decision of the Boards to permit an option for reporting entities to present OCI in a continuous statement of comprehensive income or in two separate but consecutive statements will lessen the overall impact that the final standard will have if entities do not change their current presentation. If entities change their current presentation, it will be important for management to explain the changes to the users of financial statements. Entities should also consider the overall impact of the requirement to present items of OCI that will be reclassified to profit or loss (recycled) in subsequent periods separately from items of OCI that will not be reclassified to profit or loss.

Next steps

A final standard is expected to be published in June 2011.

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