

International Accounting Standards Board
30 Cannon Street
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(www.ifrs.org)

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**Exposure Draft ED/2010/5 Presentation of Other Comprehensive Income
(Proposed amendments to IAS 1)**

Grant Thornton International Ltd is pleased to comment on the International Accounting Standards Board's (the Board) Exposure Draft ED/2010/5 *Presentation of Other Comprehensive Income (Proposed amendments to IAS 1)* (the ED). We have considered the ED as well as the accompanying draft Basis for Conclusions.

Partial support for the proposals

We understand that the Board has published this ED as a short-term, targeted improvement to IAS 1 *Presentation of Financial Statements*. This approach has regard to the responses to the Discussion Paper: *Preliminary Views on Financial Statement Presentation* (the 2009 DP) and the decision to conduct additional outreach on that project. In the context of this limited scope project, we agree with the proposal to disclose items of other comprehensive income (OCI) that will never be reclassified to profit or loss (recycled) separately from those that will be.

We do not believe the new title proposed for the Statement of Comprehensive Income addresses the concerns expressed in BC21. We are content with the current title, which is consistent with US GAAP, and prefer to retain this. However, if the Board proceed with a change, we suggest an alternative title 'Statement of Financial Performance' (see response to question 1).

We believe the other proposals will provide only minimal improvements. If the Board decide to pursue these amendments, we suggest some modifications to the detailed drafting in the Appendix to this letter.

Need for a broader review of OCI

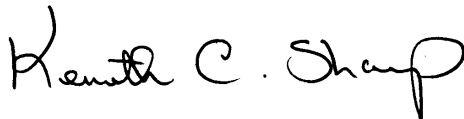
We currently see no clear conceptual basis to determine which gains and losses should be recognised initially in OCI rather than in profit or loss. Similarly, there is no conceptual basis to identify which gains or losses recognised in OCI should subsequently be reclassified to profit or loss.

Recent decisions in other projects such as IFRS 9 *Financial Instruments* and amendments to IAS 19 *Employee Benefits* will result in more items being presented in OCI. This increases the need for the Board to undertake a project to clarify the differentiation between profit or loss and OCI and the basis for subsequently reclassifying OCI items into profit or loss. However, for practical reasons, we agree that this issue should be addressed as part of a wider project on performance reporting and should not delay the outcome of this project to improve IAS 1.

We expand on these comments in our responses to the ED's Invitation to Comment questions, which are set out in the Appendix to this letter.

If you have any questions on our response, or wish us to amplify our comments, please contact our Executive Director of International Financial Reporting, Andrew Watchman (andrew.watchman@gtuk.com or telephone + 44 207 391 9510).

Yours sincerely,

A handwritten signature in black ink that reads "Kenneth C. Sharp". The signature is written in a cursive, flowing style.

Kenneth C Sharp
Global Leader - Assurance Services
Grant Thornton International

Invitation to comment questions

Statement of profit or loss and other comprehensive income

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?

We are content with the existing title and do not believe a change is necessary or desirable. The proposal also diverges from currently consistent terminology/nomenclature in US GAAP.

Nonetheless we understand the argument for change in Basis for Conclusions paragraph BC21. However, we are not convinced that changing the title as proposed will resolve the problem it is trying to address. BC21 notes the reason for the change is to address a concern regarding the word 'comprehensive' used in the current title. Unfortunately the proposed title is unwieldy and still includes 'comprehensive'.

If the Board wish to enact a change of name, we suggest the title 'Statement of financial performance'. This has a number of advantages:

- the title is short and descriptive
- paragraph 9 of IAS 1 states the objective of financial statements is provide information about the financial position, financial performance and cash flows of an entity. The other primary statements use the same terminology as this objective so to use 'statement of financial performance' provides greater consistency of approach
- it eliminates the word 'comprehensive'
- it does not preclude using sub-titles such as 'profit or loss' or 'other comprehensive income' or 'other gains or losses' within the statement.

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?

In our response to the 2009 DP we stated that we had no objection to a single statement and we continue to hold that view. We believe a single statement would be a marginal improvement but do not consider this to be a substantive issue.

Presentation of items of other comprehensive income

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?

As noted in our covering letter, we appreciate that a review of the distinction between items recognised in profit or loss and those recognised in OCI, and the reclassification of such items, is outside the scope of this limited project. Consequently this response focuses on their presentation in the context of existing requirements.

In this context, we support the proposal to require entities to separately identify items of OCI that will and will not be reclassified (recycled) to profit or loss. With the increasing number of items being reported in OCI, this proposal will increase the clarity and usefulness of information presented in the performance statement. However, we suggest that this distinction is also made in the Statement of Changes in Equity to highlight the cumulative amount of these items.

Question 4 - The exposure draft also proposes to require that income tax on items presented in OCI should be allocated between the 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?

As noted in our response to the 2009 DP, we are not in favour of retaining the present requirement to allocate tax to the separate components of OCI or to discontinued operations. Such allocations are often arbitrary. We are concerned that such allocations not only fail to provide reliable decision-useful information but may also mislead users into believing that the information has a greater level of accuracy than it actually has. This will be so particularly where tax is assessed on an entity-wide or even group basis rather than clearly relating to specific transactions.

However, we understand that changes to the current requirements are outside the scope of this project. The proposal to allocate income tax to the recyclable and non-recyclable categories of OCI seems appropriate in the context of existing requirements and the ED's other proposals.

Benefits and costs

Question 5 - In the Board's assessment:

(a) the main benefits of the proposals are:

- (i) Presenting all non-owner change to 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 proposal 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?

We agree. Although some of the proposals will provide only marginal improvement to the presentation of items in the financial statements, the cost of implementing the proposals will be marginal as no new information is required.

Other comments

Question 6 - Do you have any other comments on the proposals

Editorial issues

Paragraph 82A(b) requires the share of OCI of associates and joint ventures accounted for using the equity method to be disclosed as a single item. The examples accompanying IG5 show this as a single line in the group 'Items that may be reclassified subsequently to profit or loss'. For clarity, we suggest that paragraph 82A(b) is amended to clarify that this item should also be separated into the recyclable and non-recyclable components. This should also be reflected in the examples.

IG5 first example (showing expenses by function) effectively separates the single statement into two by providing the 'profit attributable' and 'earnings per share' disclosure below the profit for the year sub-total. By presenting this as the first example and by using the expense by function format (the most common in practice), it seems the Board is encouraging users to present the statement in this way. Except for the absence of a physical page break, this is little different to the existing two-statement format. This reduces the effectiveness of the proposal to present a single statement.

We suggest that this example be deleted or modified to place the income allocation and earnings per share information at the foot, as in the second example of IG5.

Terminology consistency

(The identification of paragraphs in which apparent inconsistencies have been identified is intended to be illustrative and so may not be a comprehensive list.)

- **Items or components?** The distinction between 'items' of OCI and 'components' of OCI is unclear. The two terms seem to be used inter-changeably. Paragraphs 82A and 106(d)(ii) currently refer to items of OCI. The ED uses 'items' on the face of the illustrative examples and amends paragraph 91 to delete 'components' and replace with 'items'. However, this amendment has not been applied consistently throughout. 'Components' is still used in paragraphs 90; 91(b); 92; 93; 96; IG4; and the footnotes to the illustrative examples. If there is a distinction, then this should be clarified. If not, we would prefer the term 'items'.
- **Title of the Statement:** The ED proposes to change the title of the Statement of Comprehensive Income. It is important, whatever title is chosen, to apply it consistently throughout IAS 1 and all other IFRSs. This has not been done in the Implementation Guidance IG5 example 2, which retains the title 'Statement of Comprehensive Income'. Similarly, paragraph 113-115 need amendment to reflect the change of title and the elimination of the choice to present a separate income statement.