



MAZARS

International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

Paris, September 27, 2010

RE: Exposure Draft ED/2010/05: Presentation of Items of Other Comprehensive Income, Proposed amendments to IAS 1

Dear Madam/Sir

We are pleased to comment on the above mentioned Exposure Draft (ED) presenting views of the IASB and the FASB on the presentation of items of other comprehensive income (OCI). This ED follows the publication of the Discussion Paper *Preliminary Views on Financial Statement Presentation*¹ in October 2008.

The current version of IAS 1 (issued in September 2007) – whose application is mandatory only since January 1, 2009 – permits an entity either to present all items of income and expense recognised in a period in a single statement of comprehensive income, or in two statements (including a separate income statement). The main proposal included in this ED consists of eliminating the presentation option for the statement of comprehensive income. Entities would thus be required to present a single ‘statement of profit or loss and other comprehensive income’ containing two distinct sections: profit or loss and items of other comprehensive income. Thus the change is almost purely cosmetic.

We have long been opposed to any decision that may lead in one way or another to the deletion of the income statement. Profit or loss is regarded by the financial community as a key indicator when it comes to measuring performance. Even though the new ‘statement of profit or loss and other comprehensive income’ would not strictly speaking lead to such a deletion, we believe such proposal is one more step towards reducing the importance of profit or loss by making it a subtotal. It may also confuse users of financial statements because the very nature of OCI is not well understood. Thus imposing a single bottom line aggregating profit or loss and items of OCI may be misleading.

¹ Please refer to our comment letter dated April 2009 on this subject.

It may also encourage entities to dissociate even more their financial communication from their financial statements prepared under IFRS if entities consider that the latter do not provide a good picture of what their performance is. More importantly, we believe this change will make little or no difference in practice. Rather than addressing cosmetic changes and voluntary changes in the titles of statements, the Board's time would be better spent developing principles for the presentation of items in either net income or OCI.


Therefore, we regret the absence of debate as regards which items should be presented within OCI, and which items should eventually be recycled and why. This lack of conceptual basis that the Board himself acknowledges weakens the proposals made in the aforementioned ED. The continued and increasing use of OCI is not, in our opinion, the right reasoning for justifying the deletion of the presentation option, particularly for no practical effect. Moreover, we note that the due process on the financial liabilities measurement project and on the employee benefits project is not over.

Last but not least, we note that this project is a joint project between the IASB and the FASB and that one of its objectives is to improve comparability between IFRS and US GAAP. Indeed, the current proposals will make it easier to compare financial statements prepared under both sets of accounting standards. Nevertheless, we note that this project does not deal with the core difference that will remain after the proposals of the ED are confirmed, which is the fact that US GAAP requires that all amounts in OCI eventually be reclassified to profit or loss. Thus, convergence is very limited here. In our opinion, this demonstrates even more the need for a thorough analysis of what performance is.

Our answers to the specific questions raised in this ED are presented in the attached appendix.

We would be pleased to discuss our comments with you and are at your disposal should you require further clarification or additional information.

Yours sincerely



Michel Barbet-Massin

Head of Financial Reporting Technical Support

Appendix to our letter on the ED on Presentation of Items of Other Comprehensive Income (proposed amendments to IAS 1)

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 do not have any objection to the change of title the Board is proposing since this new title is clearer than the 'statement of comprehensive income' title. However, we note and agree that the title should not be mandatory. Therefore, this will have little impact on practice.

We note that the 'total comprehensive income for the year' presented in the Proposed amendments to guidance on implementing IAS 1 should also be changed into a 'total profit or loss and other comprehensive income for the year', for consistency purposes. Otherwise, the 'comprehensive income' concept should be defined in the final standard as the sum of profit or loss and items of OCI.

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?

As written in our cover letter, we are in complete disagreement with this proposal. From the start of the financial statement presentation project, we have expressed our concerns as regards proposals that may lead, in substance, to the deletion of the statement of profit or loss. First we do not believe the presentation of a single statement with two distinct sections will improve the clarity of the presentation of profit or loss and of other comprehensive income. Second, we had rather the Board worked on defining what is profit or loss, what is OCI and which items of OCI should be recycled and why. Even more importantly in the context of this limited project, the proposal would appear to be merely cosmetic and make little or no difference in practice. The Board's time would be better spent on developing a conceptual basis for OCI.

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?

We support this approach. Since the underlying principle of recycling is not well established, we believe it is important to give users of financial statements the information as to whether an item of OCI will be reclassified one day to profit or loss or not. This amendment could be part of the annual improvements project, if the rest of the amendments are sensibly abandoned.

Question 4

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 since this proposal is consistent with the current requirement in IAS 1 according to which an entity shall disclose income tax relating to each component of other comprehensive income.

Benefits and costs

Question 5

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?

We agree with the Board's assessment of the costs of the proposals. However, we believe that there are little or no benefits to the proposals. We believe the benefits are limited to the increasing clarity of the separate presentation of items of OCI depending on whether such items will be reclassified subsequently to profit or loss or not. Whether there is a single statement with two separate sections or the choice to have two separate statements appears entirely cosmetic.

Other comments

Question 6

Do you have any other comments on the proposals?

We suggest that, other than requiring the presentation of items of other comprehensive income that will be reclassified to profit or loss in subsequent periods separately from items of OCI that will not be reclassified to profit or loss, this limited project should not be pursued.