

## BELGIAN ACCOUNTING STANDARDS BOARD



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correspondent	Our reference	Your reference	Date
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Dear Sir, Madam,

### **Invitation to comment – IASB ED *Presentation of Items of Other Comprehensive Income***

The Belgian Accounting Standards Board (BASB) is pleased to respond to the Exposure Draft on Presentation of Items of Other Comprehensive Income issued by the IASB (the "Board") in May 2010 (hereinafter the "ED").

Currently, only a limited number of transactions are recognised in Other Comprehensive Income (further: OCI). However, ongoing changes to IFRS, such as IFRS 9 Financial Instruments and the recent proposed amendments to IAS 19 Employee Benefits, will lead to an increased usage of items within OCI. In this context, we understand that the IASB decided to accelerate this element of the broader project on financial statement presentation by proposing limited changes to IAS 1 in order to improve the presentation of OCI in the short term.

The exposure draft proposes two key changes to IAS 1. The first is to present a single statement of comprehensive income containing two distinct sections for profit or loss and Other Comprehensive Income, thereby eliminating the current option of presenting two separate statements.

With respect to the first proposed change, the BASB was not able to identify any significant improvement compared to the actual presentation requirements of IAS 1. Under the current reporting framework, most Belgian entities have decided to apply the two-statement approach in order to clearly separate the profit or loss statement from OCI, as this increases the user-friendliness and understandability of general purpose financial statements.

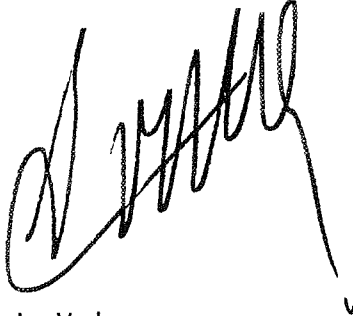
Prior to amending the presentation requirements of OCI, the BASB also believes that the Board should address the more conceptual issues with respect to performance reporting first. Indeed, it seems that the proposed amendments to IAS 1 do not provide any guidance on the more fundamental question on how performance of a reporting entity should be defined and presented.

The second change proposes a new presentation approach for items within OCI. Items that would be *recycled* to profit or loss at a future point in time would be presented separately from items that will never be *recycled*.

The BASB is supportive towards the proposal to separate *recyclable* and *non-recyclable* items of OCI as we believe that this information is critical in order to understand and evaluate the reporting entities' overall financial performance.

Our answers to the specific questions raised in the ED are included in the attached appendix to this letter. Should you wish to discuss the content of this letter with us, please contact Jan Verhoeve at [jan.verhoeve@cnc-cbn.be](mailto:jan.verhoeve@cnc-cbn.be).

Yours faithfully,

A handwritten signature in black ink, appearing to be 'Jan Verhoeve', written in a cursive style.

Jan Verhoeve  
Chairman BASB

## **Appendix 1**

### **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?

As mentioned in our cover letter, the BASB is not supportive towards the proposal of the Board to only present one statement combining both profit or loss and OCI. However, if an entity would opt, as allowed under the current IAS 1, to only present one single statement combining profit or loss and OCI; we agree with the proposed title of this 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?

The BASB is currently of the opinion that one of the core fundamentals of financial reporting, i.e. the presentation of a reporting entities' performance, should not be the subject of a short-term amendment to the Standard. Indeed, we believe that the Board should address this issue in the overall conceptual debate, as we are convinced that the Board should present its view on how future performance reporting will be defined taking into account the upcoming changes proposed to certain Standards. This implies that we support the alternative view of Mr. Engström presented in the ED in AV1 to AV6.

We are of the opinion that by eliminating the two-statement approach, the stakeholders involved in the financial reporting process will not obtain any additional information; by contrary, based on the overall analysis of the application by Belgian entities of the single statement approach, currently allowed in IAS 1, we can conclude that the vast majority of the reporting entities have chosen to apply the two-statement approach and thus one could argue that by eliminating this approach, the Board effectively removes the most widely applied presentation alternative.

### **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?

The BASB agrees with this proposal, as it will increase the overall understandability of the underlying, more technical aspects, of OCI and how this will potentially impact the performance of a reporting entity.

**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 believe that this approach is consistent with paragraph 90 of IAS 1, and thus we agree.

**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 refer to our answer to question 2 and are convinced that by removing the two-statement approach the overall understandability of general purpose financial statements will not increase.