acteo
Association pour la participation des entreprises françaises à l'harmonisation comptable internationale

Mouvement des Entreprises de France
MEDEF

A F E P

Association Française des Entreprises Privées

IASB
30 Cannon Street
London EC4M 6XH
UK

Paris, September 14, 2010

Re: *ED "Presentation of Items of Other Comprehensive Income"*

We welcome the opportunity to comment on the IASB exposure draft dealing with "*Presentation of Items of Other Comprehensive Income*" (the ED).

We do not support this fast track amendment to IAS 1, and in this respect we agree with the alternative view expressed by Mr Engström for the reasons laid out in paragraphs AV3 to AV5 of the ED.

We strongly regret that the Board has still not undertaken a full analysis of the importance of the concept of performance and its significance to financial reporting. In our view, this is indispensable in order to achieve the right balance between the relevant items to be recognised in the Financial Statements, and the relevant performance indicator for the period, in compliance with the objectives defined in the Framework for financial reporting.

As stated in the alternative view, before amending IAS 1 in a fast-track process, the Board should launch a fundamental review to identify a robust conceptual basis for determining which items should be presented in profit or loss, which items should be presented in OCI, and which items should be reclassified into profit or loss in a later period. This analysis should not be made on a project-by project basis, as the Board is currently doing, as this will inevitably lead to inconsistencies and a consequent loss of relevance.

We do not agree with the Board when it says that there is no plan to eliminate profit or loss as a measure of performance. In our view, each time the Board chooses to prohibit recycling it weakens the relevance of net income.

We have already expressed our opinion in response to proposals relating to pensions and financial instruments and each time we have urged the Board to undertake this conceptual analysis to define what performance means. However, even in the forthcoming exposure draft on Financial Statement Presentation, the Board appears still to be refusing this debate. We strongly support EFRAG in its attempt to simulate a debate on the fundamental issues relating to performance reporting: the notion of performance and its relationship to the business model; the content of performance statements; and recycling.

While we agree with the intention of seeking more comparability between financial reporting of different entities, we have also noted that the current option of two statements provided in IAS 1 is widely used and does not appear to impair comparability, contrary to the assessment of the Board. Furthermore, we do not believe that displaying the comprehensive income on one or two statements is an issue for comparability since IAS 1 already required these two statements to be presented immediately one after the other, and we are not aware of this having caused any difficulty for users.

We agree that items falling at present under "other comprehensive income" should not be ignored and that they can be very relevant to the understanding of the whole financial position of some entities. It follows that such elements should be reported in the principal statements and not relegated to the depths of the notes. Nonetheless, while we can understand the Board's wish to ensure that attention is appropriately drawn to these items, we believe that the proposal to make a single statement mandatory is not the way to achieve this. Indeed, these other changes in net assets have neither the same nature, nor the same utility for users as those items recognised in net income and thus should not be aggregated in a single statement. We think that, in order to ensure that financial statements remain meaningful and clear for users, it is absolutely necessary to preserve a statement of performance which ends with net income and earnings per share. Our discussions with users of all types indicate that this is the essential "anchor" point from which different analyses of the performance of the entity begin. All other changes in net assets should also be presented in a principal statement, either in a separate statement or as an element of the statement of change in equity in order to provide not only changes of the current period but also the cumulative amounts.

The only improvement we can see in the proposals in this ED is the proposal to present separately items within OCI that will never be reclassified in net income from those that will be reclassified at some point. [Moreover, we suspect that it would be useful to complement this with the disclosure of the "stock" of items which are expected to be recycled in the future.] Nevertheless, this proposal can be included in the forthcoming exposure draft on financial statement presentation or even in annual improvements. We see no need for an urgent limited amendment to IAS 1.

Finally, In the discussion paper on the presentation of financial statements, the Board decided not to require the allocation of tax over any of the different sections and categories because it believed would have been too complex and arbitrary a process and consequently would have been unlikely to provide useful information. We believe that this rationale also holds true for the allocation of tax between different items of OCI. Most entities manage taxes for the entity as a whole and do not allocate taxes for internal purposes as required by the ED. They would find it difficult to attach a tax component directly to any specific transaction on a rational basis which would realistically be of use in predicting future accounting transactions and their effect on OCI or profit or loss.

We therefore believe that the taxes should be required to be allocated to only four areas of the financial statements, as was the case prior to the latest revision of IAS 1.

These are: Tax Expense in Profit or Loss / OCI / Equity and Discontinued Operations. Entities which are able to make a reliable finer allocation of tax should be permitted, but not required, to make an allocation of tax between different items in OCI.

We think that the costs incurred in the mandatory allocation of taxes within OCI along the lines of the ED will exceed any benefits that users might perceive.

We have not provided responses to the individual questions posed in the ED as we think we have dealt with the essential above.

Should you require any supplementary comments or explanations, please do not hesitate to contact us.

ACTEO	AFEP	MEDEF
Patrice MARTEAU	Alexandre TESSIER	Agnès LEPINAY
Chairman	Director General	Director of economic and financial affairs