

IFRS in Focus

IASB issues Amendments to IAS 1 on Presentation of Items of Other Comprehensive Income

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The Bottom Line

- The amendments retain the option to present profit or loss and other comprehensive income in either a single continuous statement or in two separate but consecutive statements.
- Items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss.
- Tax on items of other comprehensive income is required to be allocated on the same basis.
- The measurement and recognition of items of profit or loss and other comprehensive income are not affected by the amendments, which are applicable for reporting periods beginning on or after 1 July 2012 with earlier application permitted.

The Amendments

On 16 June 2011, the IASB issued *Presentation of Items of Other Comprehensive Income* (amendments to IAS 1). The amendments to IAS 1 are the result of a joint project with the US Financial Accounting Standards Board and provide guidance on the presentation of items contained in other comprehensive income (OCI) and their classification within OCI.

Observation

The Exposure Draft that preceded the amendments to IAS 1 proposed requiring the presentation of OCI in a continuous statement of comprehensive income (so, eliminating the option of a separate income statement). The IASB decided to retain this option following negative responses to the proposal.

The amendments do introduce new terminology, referring to a 'statement of profit or loss and other comprehensive income' and 'statement of profit or loss', but it is clear that use of these terms is not mandatory. More familiar titles can be retained.

For more information please see the following websites:

www.iasplus.com

www.deloitte.com

The amendments require the grouping of items of OCI into:

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

An entity may present items of OCI either:

- net of related tax effects; or
- before related tax effects with one amount shown for the aggregate amount of income tax relating to those items.

If an entity presents OCI before related tax effects, it will need to allocate the tax between the items that might be reclassified subsequently to the profit or loss section and those that will not be reclassified subsequently to the profit or loss section.

Observation

The amendments do not address the conceptual issues of what should be recognised in OCI and whether and when reclassification of OCI items to profit or loss should be required, but focus on improving how components of OCI are presented. The Board has acknowledged the need to develop a conceptual framework for OCI and may add this to its future agenda.

Effective date and transition

The amendments are effective for annual periods beginning on or after 1 July 2012, with full retrospective application.

Illustrative examples

The following examples, adapted from the amendments, are intended to illustrate the two choices available for the presentation of profit or loss and OCI under the amendments. In practice, the actual presentation will vary depending on the specific facts and circumstances.

Example 1 – illustrating the presentation of other comprehensive income in one statement
Statement of profit or loss and other comprehensive income

	Current year CU'000	Prior year CU'000
Revenue	500,000	400,000
Cost of sales	(250,000)	(200,000)
Gross profit	250,000	200,000
Other income	20,000	15,000
Administrative costs	(50,000)	(40,000)
Other expenses	(15,000)	(10,000)
Operating profit	205,000	165,000
Finance costs	(12,000)	(12,000)
Finance income	18,000	17,000
Profit before tax	211,000	170,000
Income tax expense	(67,520)	(54,400)
Profit for the year	143,480	115,600
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gains/(losses) on defined benefit plans	10,000	(20,000)
Income tax relating to items not reclassified	(3,200)	6,400
Total items that will not be reclassified to profit or loss	6,800	(13,600)
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges		
– Gains/(losses) arising during the period	12,000	(16,000)
– Reclassification adjustments for amounts recognised in profit or loss	(2,000)	2,500
Income tax relating to items that may be reclassified	(3,200)	4,320
Total items that may be reclassified subsequently to profit or loss	6,800	(9,180)
Other comprehensive income/(loss) for the year	13,600	(22,780)
Total comprehensive income for the year	157,080	92,820
Profit attributable to		
	Current year CU'000	Prior year CU'000
Owners of the parent	121,500	97,150
Non-controlling interests	21,980	18,450
	143,480	115,600
Total comprehensive income attributable to		
	Current year CU'000	Prior year CU'000
Owners of the parent	135,100	74,370
Non-controlling interests	21,980	18,450
	157,080	92,820
Earnings per share		
	Current year CU	Prior year CU
Basic earnings per share	0.96	0.77
Diluted earnings per share	0.90	0.72

Example 2 – illustrating the presentation of other comprehensive income in two statements
Statement of profit or loss

	Current year CU'000	Prior year CU'000
Revenue	500,000	400,000
Cost of sales	(250,000)	(200,000)
Gross profit	250,000	200,000
Other income	20,000	15,000
Administrative costs	(50,000)	(40,000)
Other expenses	(15,000)	(10,000)
Operating profit	205,000	165,000
Finance costs	(12,000)	(12,000)
Finance income	18,000	17,000
Profit before tax	211,000	170,000
Income tax expense	(67,520)	(54,400)
Profit for the year	143,480	115,600

Profit attributable to	Current year CU'000	Prior year CU'000
Owners of the parent	121,500	97,150
Non-controlling interests	21,980	18,450
	143,480	115,600

Earnings per share	Current year CU	Prior year CU
Basic earnings per share	0.96	0.77
Diluted earnings per share	0.90	0.72

Example 2 – illustrating the presentation of other comprehensive income in one statement
Statement of profit or loss and other comprehensive income

	Current year CU'000	Prior year CU'000
Profit for the year	143,480	115,600
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Actuarial gains/(losses) on defined benefit plans	10,000	(20,000)
Income tax relating to items not reclassified	(3,200)	6,400
Total items that will not be reclassified to profit or loss	6,800	(13,600)
Items that may be reclassified subsequently to profit or loss:		
Cash flow hedges		
- Gains/(losses) arising during the period	12,000	(16,000)
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