

# INTERNATIONAL FINANCIAL REPORTING BULLETIN 2011/08

## AMENDMENT TO IAS 1: PRESENTATION OF FINANCIAL STATEMENTS



### Background

The International Accounting Standards Board (IASB) has published an amendment to IAS 1 *Presentation of Financial Statements* (IAS 1) with the objective of making improvements to the presentation of items in other comprehensive income (OCI).

The amendments have been made because of the range of different items that are presented in OCI and the lack of distinction between those items. Certain of them are reclassified to profit or loss in certain circumstances, while others are not, with recent changes to IFRS such as the introduction of IFRS 9 *Financial Instruments* and amendments to IAS 19 *Employee Benefits* increasing the need for additional clarity. There is also a common misunderstanding that the split between profit or loss, and OCI, is on the basis of realised versus unrealised gains, which is not the case.

The amendments made to IAS 1 therefore focus on how entities present items of OCI. The amendments do not alter guidance on which items should or should not be included in OCI or whether these items might subsequently be reclassified through profit or loss. The requirements in other IFRSs continue to provide guidance on these.

The original exposure draft *Presentation of Items of Other Comprehensive Income* proposed to combine all items of income and expense into a continuous statement of profit or loss and other comprehensive income. However, the final amendment to IAS 1 retains the existing IAS 1 option for profit or loss and OCI to be presented as either a single statement of comprehensive income, or a separate statement of profit or loss and separate statement of other comprehensive income. The amendments clarify that the statement (or section of the single statement) that sets out profit or loss is required to be followed directly by the statement (or section of the single statement) that sets out OCI.

### STATUS

Final

### EFFECTIVE DATE

Annual periods beginning on/after 1 July 2012, with earlier application permitted

### ACCOUNTING IMPACT

Changes to the presentation of other comprehensive income.

**Requirements**

The main change requires entities to present line items for OCI amounts by nature and to group items presented in OCI into two categories:

- those that could subsequently be reclassified to profit or loss (reclassification adjustments); and
- those that that will not be reclassified.

Examples of items that could be subsequently reclassified to profit or loss include foreign currency differences (on the disposal of a foreign operation) and changes in the carrying value of financial assets classified as Available for Sale.

Examples of items that are not subsequently reclassified to profit or loss include changes in a revaluation surplus arising on the revaluation of items of property, plant and equipment (IAS 16) and remeasurement of a net defined benefit liability (asset) (IAS 19R).

IAS 1 permits entities to present components of OCI either net of related tax effects or before tax with one amount shown for the aggregate amount of income tax relating to those components. Entities will continue to have this choice of tax presentation. However, if an entity presents OCI items before related tax effects then tax is required to be allocated and disclosed separately for each of the two OCI groups (that is, the total amount of tax is required to be split into two amounts, being tax related to items that might be reclassified subsequently to profit or loss and tax relating to those that will not be reclassified subsequently to profit or loss).

In addition, a change was made to the title of the statement of comprehensive income. This is now referred to as the 'statement of profit or loss and other comprehensive income'. However, the flexibility currently in IAS 1 to use other titles will remain. For example an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income'.

Appendix A provides an example of a statement of OCI after the amendments are applied.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012, with early adoption permitted. If an entity applies the amendments for an earlier period it is required to disclose that fact.

**Action Required**

Entities need to evaluate which items of OCI might subsequently be reclassified to profit or loss (reclassification adjustments) and those that that will not be reclassified and present these separately in OCI.

It will also be necessary to evaluate the effect of the new requirements on the choice of tax presentation related to items of OCI.

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## Appendix A - Illustrative Example

Set out below is an example of a statement of OCI after the amendments are applied.

Other comprehensive income	2011	2010
<i>Items that may be reclassified into profit or loss</i>		
Foreign exchange gains and losses arising from the translation of foreign operations (IAS 21)	1,771	1,071
Share of associates OCI	-	412
Change in value of the effective portion of derivatives designated in qualifying cash flow hedges (IAS 39)	73	601
Tax related to OCI items that may be reclassified to profit or loss	(189)	(715)
	1,655	1,369
<i>Items that will not be reclassified into profit or loss</i>		
Revaluation of property, plant and equipment (IAS 16)	4,460	(1,154)
Remeasurment of net defined benefit liability (IAS 19R)	266	157
Gains and losses from investments in equity instruments measured at fair value through OCI (IFRS 9)	(358)	1,542
Fair value through profit or loss - changes in fair value attributable to changes in the liability's credit risk (IFRS 9)	4	(15)
Tax related to OCI items that will not be reclassified to profit or loss	(1,175)	279
	3,197	809
<b>Total other comprehensive income</b>	<b>4,852</b>	<b>2,178</b>

Note: The entity has elected to present items of OCI before related tax effects with one amount shown for the aggregate amount of income tax relating to those OCI items.

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