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International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Comments on the Exposure Draft *Presentation of Items of Other Comprehensive Income*

To the Board Members:

The Japanese Institute of Certified Public Accountants (“we” and “our”) appreciates the continued efforts of the International Accounting Standard Board (IASB) on the project to improve financial statement presentation, and welcomes the opportunity to comment on the exposure draft *Presentation of Items of Other Comprehensive Income*.

We believe that the conceptual basis of accounting standard setting is not always clear to distinguish between other comprehensive income (OCI) items that will never be reclassified to profit or loss and those that are subject to subsequent reclassification. We believe that it is necessary for the IASB Conceptual Framework project to consider this issue and set appropriate criteria.

The following are our comments.

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?

Comment:

We agree with the proposal.

The exposure draft proposes to eliminate the option of two separate statements of profit or loss and OCI, as well as to distinguish the section of profit or loss from that of OCI in the single statement. The elimination of the option of two separate statements will provide more consistency in presentation and improve comparability.

In addition, when considering the fact that performance assessments of the entities are currently conducted based on profit or loss, profit or loss still remains an important indicator in financial reporting. There is some concern expressed with the single statement that it may undermine the significance of profit or loss since profit or loss will not be presented as the final figure in the statement. However, we believe that this will not be the case, as the proposed title of the statement includes the words “profit or loss,” and the statement will have two clearly distinguished sections for “profit or loss” and “other comprehensive income.”

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?

Comment:

The following is our comment on the appropriateness of separate presentation.

We agree with the proposal. We believe that the statement of changes in equity should also distinguish and present OCI items to be recycled and those not to be recycled, in order to clearly present accumulated data of OCI items that may affect profit or loss in the future.

Other comments

Question 6

Do you have any other comments on the proposals?
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Comment:

The exposure draft proposes a presentation distinguishing between OCI items that will never be reclassified to profit or loss and those that are subject to subsequent reclassification. It also proposes that the respective accounting standards shall distinguish OCI items that will never be reclassified to profit or loss and those that are subject to subsequent reclassification.

However, we believe that the conceptual basis of accounting standard setting is not always clear for the classification of such OCI items. Since OCI items that have the same nature are divided into items to be recycled and items not to be recycled, it does not provide financial statements users with useful information. We believe that the IASB Conceptual Framework Project should consider the conceptual basis of the classification and set appropriate criteria, and the respective accounting standards should be set out in accordance with the conceptual basis.

Yours faithfully,

Keiko Kishigami

Executive Board Member - Accounting Practice (IFRS)

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