



30 September 2010

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

Dear Board Members,

Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera (CINIF), the accounting standards setter body in Mexico welcomes the opportunity to submit its comments to the International Accounting Standards Committee on the **Presentation of Items of Other Comprehensive Income- Proposed amendments to IAS 1 Exposure Draft (ED)**. Set forth below you will find our comments on the topics included in the ED, as well as our responses to the questions included therein.

GENERAL

1. IASB should issue a clear definition of what is or should be considered as an Other Comprehensive Income (OCI) item.
2. Clear principles should be adopted indicating when an item should be recognized as an OCI and when and how that item is to be recycled.
3. All items should be recognized through the **Statement of profit and loss and other comprehensive income**.
4. The recognition of any item directly in accumulated earnings or any other line of the Equity section of the balance sheet should be forbidden.
5. Losses should be, always, recognized as a profit and loss item and never as an OCI.
6. Changing the titles of the primary financial statements seems to be almost irrelevant since paragraph 10 of IAS 1 states: *"An entity may use titles for the statements other than those used in this Standard."* However, if what IASB is trying to attain is to mark a preference or a tendency to follow we agree with the proposal to change the title of the Statement of comprehensive income to Statement of profit or loss and other comprehensive income. Additionally, we are in accordance with paragraph BC21 which states *"It is clear that the IFRS community is still troubled by the use of the term **comprehensive** in the title. This may also give to comprehensive income a perceived prominence over profit and loss."* We do not

believe that the mere change in the title will overcome the trouble provoked in the community and we consider that this situation will prevail for a long period.

7. We agree with paragraphs AV2, AV3, AV4, AV5 and AV5 of ***Alternative view of Jan Engstrom***.
8. We consider that the presentation in the statement of income of the lines of “*profit or loss for the period*” and “*Total comprehensive income for the year*” is confusing because it is not clear to the reader which line indicates the total net income (or loss) for the year.
9. We understand that OCI items are segregated from the profit and loss items because they cannot be distributed as earnings and also, that for this reason OCIs are not considered for computing earnings per share (EPS). This situation should be clearly explained in IAS 1.
10. We believe the IASB should explain the characteristics an OCI item should have to be segregated from profit and loss. In our opinion an OCI item is segregated from profit and loss because there are uncertainties at least with respect to the amount and timing of its realization and EPS should comprehend only those earnings available for distribution. Consequently, upon elimination of the uncertainties the gains accumulated as OCI should be reclassified to profit and loss and thus be considered in the computation of EPS. As commented in paragraph 5. above, losses should always be recognized in profit and loss and never as an OCI.
11. We observe that the number of items recognized as OCI has been increasing rapidly. We believe that IASB should consider reducing the number of such items.
12. We consider that profit and loss as a measure of performance will be preserved by IASB as it is stated in paragraph BC20 of the proposal.

Our comments on the specific “invitation to comment” questions included in the ED are included below.

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?

Notwithstanding our comments in **GENERAL** we agree with the Board's proposal to change the title of the *Statement of comprehensive income* to *Statement of profit or loss and other comprehensive income* considering that the change may perhaps improve the understanding of such financial 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?

We agree with the proposal for requiring entities to present a single Statement of profit and loss and other comprehensive income with two sections-profit or loss and items of other comprehensive income. We consider that presenting a single statement and not two as was required will improve the understanding of the information presented regarding profit and 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?

82A, BC25 and BC2

We do not concur with the proposal 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. We consider that all OCI items should be recycled to profit and loss. Also, as commented in **GENERAL**, we believe that a clear conceptual definition of OCI should be established by IASB clearly stating which gains should be initially recognized as OCI instead of profit and loss items and also, when such OCI items should be subsequently reclassified (recycled) to profit and loss.

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

As mentioned in Question 3 above, we do not concur with the proposal to which such Question refers since in our opinion all OCI items should be recycled to profit and loss and thus no line of OCIs that will not be reclassified should exist. For this reason we do not support the proposal 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. However, if notwithstanding our objection the recognition of OCI items that will not be reclassified subsequently to profit and loss prevails we will be in agreement with the proposal referred to in this Question4.

Benefits and costs

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?

See our comments under **GENERAL** and our responses to Questions 3 and 4.

Other comments

Question 6

Do you have any other comments on the proposals?

We have no other comments.

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Should you require additional information on our comments listed above, please contact me or J. Alfonso Campana-Roiz at 00-52-55-55965633 or 00-52-55-55965634 or by e-mail at

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Sincerely,

C.P.C. Felipe Perez Cervantes

President of the Mexican Financial Reporting Standards Board
Consejo Mexicano para la Investigación y Desarrollo de Normas de
Información Financiera (CINIF)