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February 17, 2014

Mr. Hans Hoogervorst
Chair
International Accounting Standards Board
30 Cannon Street
London
United Kingdom

**Re: Comment Letter on Conceptual Framework Discussion Paper: Other Comprehensive Income (OCI)**

Dear Mr. Hoogervorst,

The CFA Institute[1], in consultation with its Corporate Disclosure Policy Council ("CDPC")[2,] appreciates the opportunity to comment on the International Accounting Standards Board's ("IASB" or the "Board") Discussion Paper, *A Review of the Conceptual Framework for Financial Reporting* ("Conceptual Framework DP"). As we note in our overview letter regarding the Conceptual Framework DP, we are responding to those aspects of the discussion paper where we think investor input may be most needed and where we believe improvements in the Conceptual Framework may have the most direct and immediate impact on financial reporting from an investor perspective. To increase the accessibility of our response to our membership, we have provided separate comment letters on the four topic areas of focus, which are as follows:

- Definition of Equity & Distinctions Between Liability & Equity
- Measurement
- Presentation & Disclosure
- Other Comprehensive Income

[1] With offices in Charlottesville, New York, Hong Kong, and London, CFA Institute is a global, not-for-profit professional association of more than 116,000 investment analysts, portfolio managers, investment advisors, and other investment professionals in 137 countries, of whom nearly 108,000 hold the Chartered Financial Analyst® (CFA®) designation. The CFA Institute membership also includes 138 member societies in 60 countries and territories.

[2] The objective of the CDPC is to foster the integrity of financial markets through its efforts to address issues affecting the quality of financial reporting and disclosure worldwide. The CDPC is comprised of investment professionals with extensive expertise and experience in the global capital markets, some of whom are also CFA Institute member volunteers. In this capacity, the CDPC provides the practitioners' perspective in the promotion of high-quality financial reporting and disclosures that meet the needs of investors.

We have also provided comments related to Other Issues in Section 9 of the Conceptual Framework DP in our overview comment letter.

CFA Institute is comprised of more than 100,000 investment professional members, including portfolio managers, investment analysts, and advisors, worldwide. CFA Institute seeks to promote fair and transparent global capital markets and to advocate for investor protections. An integral part of our efforts toward meeting those goals is trying to help ensure that corporate financial reporting and disclosures provided to investors and other end users is of high quality.

## SUMMARY OF VIEWS

The Conceptual Framework DP acknowledges the longstanding and often articulated concern from stakeholders regarding the ad-hoc application of Other Comprehensive Income (OCI) by standard-setters. Stakeholders including CFA Institute have expressed concern that OCI is applied principally as a means of reducing the volatility of net income and as a parking lot for difficult to resolve accounting issues (e.g. volatility that arises from pension related adjustments). As a result of these concerns, CFA Institute in its response to the 2011 IASB agenda consultation [3] and through multiple comment letters related to individual standards has emphasized the urgent need for the standard-setting bodies to develop and define a conceptual basis for the use of OCI.

The fundamental yardstick for evaluating the Conceptual Framework DP proposals related to OCI should be whether these proposals adequately address stakeholder concerns and expectations regarding the robust conceptual definition and economic oriented criteria required to underpin OCI application. Evaluating the framework proposed in the Conceptual Framework DP from a big picture perspective, the proposal seems to have provided the rationale for OCI from an accounting mechanics management standpoint (e.g. the use as a bridging mechanism in a mixed measurement world). It does not provide, in our view, the IASB's preliminary views on distinguishing criteria based on the economic characteristics which investors would find useful in evaluating why certain items are included in net income and others in OCI. In this respect, the proposal is likely to end up retrospectively justifying the current OCI recognition of particular line items rather than providing conceptual or economic characteristics that warrant differential classification of income items into either profit and loss or OCI, which is the resolution stakeholders seek. For these reasons, the current Conceptual Framework DP definition of OCI falls short, of the level of one that would enhance the analytical utility of OCI information.

We emphasize the need for the consistent application/definition of OCI. We expect that a robust definition alongside improved financial statement presentation (FSP) would yield OCI numbers that can be better interpreted by investors. OCI components have information content, even where such information content may be different from that of net income components. Accordingly, financial reporting standards should not be developed in a manner that encourages investors to systematically ignore OCI. We also believe the purpose of OCI should go beyond being a practical expedient for dealing with volatility aversion by preparers; or for addressing difficulties that arise with re-measurement mismatches or addressing measurement uncertainty of

[3] CFA Institute, 2011, *Comment Letter on IFRS Agenda Consultation.*

recognized items. We believe strongly that neither volatility nor-the degree of measurement uncertainty are suitable criteria for distinguishing OCI versus net income items.

To be clear, we are not necessarily advocating for the elimination of OCI, nor are our views an indirect push for what we believe to be the best measurement basis (i.e. fair value). On the contrary, we have severally proposed that the IASB completes the FSP project and we recognize that OCI could be one of the statements from an enhanced FSP. In this letter, we express that we would be comfortable if criteria for OCI versus net income distinction were based on the persistence and predictive value[4] towards future cash flows of underlying components. These attributes have been used extensively in academic literature to judge the information content and relevance[5] for valuation of reported line items. Hence, the comments we make in this letter on the need for a more economically-oriented definition needs to be seen in the context of the quest for a decision-useful OCI statement, if it is to be required.

[4] Ohlson, J.A. (1999), *On Transitory Earnings*, Review of Accounting Studies, Vol.4, pp 145-162 – This seminal and widely cited paper identifies three characteristics that can be applied to judge the information content and relevance of financial statement components for valuation purposes: value relevance (i.e. association with stock price and stock returns); persistence; and predictive value of future cash flows. The author asserted that the presence or absence of any two of the above characteristics will automatically imply the presence or absence of the third characteristic. Hence, if an item lacks persistence and predictive value for future cash flows, it can be automatically assumed that it is value irrelevant. At the same time, if all three characteristics are lacking, then items can be considered to be transitory in nature.

[5] As we understand, persistence is similar to the notion of recurrence and it is the ability of a comprehensive income (i.e. OCI and income statement) line item to predict itself during subsequent reporting periods. Persistence can be ascertained by the extent to which there is a strong correlation between particular line item amounts across different reporting periods. At the same time, predictive value is the ability of a comprehensive income line item to predict future cash flows. Predictive power can be ascertained by measuring the association between the line items amounts during a particular period and subsequent period cash flows from operations. Persistence is a key indicator of the ability of comprehensive income line items to predict future cash flows. That said, there can be cases where a line item is not persistent/recurrent but still has predictive value for future cash flows (e.g. Cash flow hedge unrealized gains or losses recorded in OCI). Hence, line items should not be seen as transitory purely on account of not being persistent.

## SPECIFIC COMMENTS

***DP's Proposed Distinguishing Approaches:***
***Restrictive, Complex and Do not Enhance Clarity on Purposes of OCI***

As we understand the Conceptual Framework DP, it proposes that OCI be used for one or all of the following purposes:

- *Bridging Mechanism* – As a bridging mechanism that facilitates mixed measurement approaches (i.e. required due to differences in measurement basis across the statement of financial position and income statement for some items such as the financial instrument IFRS 9 – fair value through other comprehensive income (FVOCI) category).
- *Recognition Mismatches* – To address recognition mismatches (e.g. cash flow hedges).
- *Transitory Items* – To house transitory items (i.e. items that are neither reflective of core business performance nor predictive of future cash flows).

The Conceptual Framework DP offers a continuum of application of the above purposes under two approaches described as 'narrow' and 'broad' approaches. However, the practical application of these two approaches seems unduly complex and the precise translation of these principles is likely to be the preserve of technical accountants. It will be hard for investors to perceive any incremental economic relevance and clarity regarding the purposes of OCI.

We believe further development and incorporation of economic characteristics into the distinguishing criteria are required before investor expectations of conceptual definition of OCI are met.

***Stakeholders Expect a Conceptual Definition:***
***One That Distinguishes OCI vs. Net Income Based on Economic Criteria***

At its most fundamental level, the ad-hoc application of OCI reflects, in our view, a number of conceptual questions that are yet to be fully resolved by standard-setters. These conceptual questions revolve around the following:

- *Measurement of Assets & Liabilities* –
  - How to best measure the assets and liabilities of a business entity?
  - How to report related re-measurements?
- *Assessing Wealth Creation* – How to assess the value added to the wealth of the owner (current operating performance vs. all-inclusive income)?
- *Disclosing Changes in Wealth Creation* – Where to best disclose the realized and unrealized changes in the wealth of the owner (i.e. clean surplus vs. dirty surplus accounting)? In other words, should all income and expense flows and valuation changes be reflected through net income or not?
- *Performance Definition* – These questions raise the underlying issue of how financial statements should report corporate performance. In other words, what is corporate performance?

As a pragmatic compromise, the standard-setters have tended to pursue hybrid approaches to resolving these challenging questions. As a result, mixed measurement attributes as a basis for recognizing and presenting assets and liabilities and mixed presentation has become the norm. OCI has also been used to manage accounting mismatches including recognition and measurement mismatches (e.g. cash flow hedges and fair value through OCI to address asset and liability management issues). At the same time, under the recent significant standard-setting development activities, there has been a proposed entrenchment of OCI application, notably through the following standards updates:

- IASB Insurance Accounting Exposure Draft
- IFRS 9, Financial Instruments Accounting with the fair value through OCI.

That said, the entrenched use of OCI by the IASB and FASB has, in a sense, overlooked the underlying concerns that stakeholders have had with its application. What stakeholders really need to know is whether and how income statement items have different economic attributes from OCI items. In other words, the standard-setters need to articulate the distinctive economic characteristics that differentiate OCI from income statement line items.

The Conceptual Framework DP is cognizant of and discusses various economic characteristics such as persistence and other stewardship characteristics such as management controllability. Table 8.1 of the Conceptual Framework DP outlines a range of characteristics that could be used to make a distinction including whether the items are: unrealized, non-recurring (i.e. persistent or not), non-operating, uncertain measures, long-term[6] or outside management control. However, the Conceptual Framework DP also often emphasizes the limitations of these characteristics due to a 'boundary drawing' problem that arises because many items would tend to fall under a continuum of either an economic characteristic (e.g. persistence) and/or stewardship characteristic (e.g. management controllability). For example, the persistence of different income

[6] Long-term is a problematic concept for accounting purposes, as it is undefined and can be subjectively applied.

statement items can vary across business models and across time. Similarly, if management control was the distinguishing criterion, gains or losses of available-for-sale (AFS) securities may be controllable from the standpoint that management can determine when to sell or hold, but uncontrollable as management cannot determine AFS securities prices.

Nevertheless, it would have been expected that standard-setters would glean insights from empirical academic evidence[7] which they then could have used to at least propose the IASB's preliminary view of suitable distinguishing economic characteristics. Despite the inevitable boundary problem that would arise from any one characteristic, there is no reason not to formulate a combination of characteristics and/or to define criteria along the continuum. The seeming difficulty in developing criteria development should not result in the IASB passing the burden of conceptual development to stakeholders. Simply emphasizing the difficulty of defining operational economic criteria and thereafter passing the burden for conceptual development of such criteria to stakeholders is likely to entrench a definition of OCI that largely focuses on managing the accounting mechanics (i.e. OCI to net income account balancing issues).

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[7] Two highly informative academic papers that can inform standard-setting include:

a. Rees, L.L., and Shane, P.B., (2012), *Academic Research and Standard Setting: The Case of Other Comprehensive Income*, Accounting Horizons, Volume 26, No.4, pp. 789 - 815.
b. Jones, D.A., and Smith, K.J. (2011), *Comparing the Value Relevance, Predictive Value, and Persistence of Other Comprehensive Income and Special Items*, The Accounting Review, Vol. 86, No.6, pp. 2047-2073.

***Measurement Uncertainty is Problematic as a Distinguishing Criterion***

The use of OCI is emblematic of various analytical challenges arising under the current measurement, presentation and disclosure framework. The current measurement and presentation framework have the following features that present challenges to investors' evaluation of reported performance and their prediction of future cash flows:

- Mixed measurement bases are applied across different assets and liabilities including: fair value, cash flow based measurement, historical cost and modified historical cost. These varied approaches on measurement present challenges of consistently aggregating and interpreting reported amounts including gains or losses.
- Measurement uncertainty exists across and within the different measurement bases. This uncertainty reduces the reliability and predictive value of some reported amounts.
- Different measurement bases have varied information content as it relates to immediate and/or future cash flow realization potential. Fair value gains or losses inform on immediate cash flow realization potential, while the other measurement bases do not inform on either current or future cash flow realization potential.
- Any gain or loss, regardless of measurement basis, reported without sufficient accompanying disclosures on timing of future cash flows, presents challenges towards predicting future cash flows. In other words, it is difficult for any measurement and presentation to, on a standalone basis, sufficiently convey the timing and realizability of future cash flows.

Due to the above outlined fundamental challenges within the measurement framework, there should be caution towards requiring classification of gains or losses into OCI as opposed to the income statement as one way of alleviating measurement related imperfections.

***Fixation with Net Income:***
***Limiting Factor toward the Development of Robust Definition of OCI***

The Conceptual Framework DP expresses the IASB view that the net income sub-total has to be retained because it is widely used as a performance and valuation metric by capital market participants. A corollary of this reasoning is that recycling is a necessary requirement should OCI recognition be required.

We do not dispute that the net income sub-total has been a core part of the financial reporting fabric and has been accorded prominence, resulting in what has been described as a functional fixation with net income by preparers and even some investors. A survey of global CFOs by leading academics[8] found that a majority of Chief Financial Officers (CFOs) believed earnings to be the most important performance measure for outsiders and there are behavioral consequences (e.g. earnings management) arising from the heavy importance attached to earnings. In a similar vein, many investors consider it desirable to have a steady, predictable and comparable performance metric across reporting periods (i.e. sustainability). These investors consider net income to possess these desired characteristics to a greater degree than would be the case with a full comprehensive income total. Furthermore, they may prefer net income and its derived metrics such as earnings per share (EPS) to comprehensive income, because they consider net income to be a closer proxy of the core earnings derived from business activities. Sell-side analysts often focus on predicting quarterly earnings, as net income is easier to predict than total comprehensive income. That said there are several fault lines with the functional fixation with net income including:

- _Balance Sheet and Income Statement are Both Important for Valuation_ – The primacy of the income statement over other financial statements is articulated by proponents[9] of the earnings based valuation approach, which emphasizes core earnings as being the key input required for prediction of future cash flow and valuation purposes. A corollary of this viewpoint is that periodic changes to the balance sheet, which happen to be an important component of the comprehensive income statement, are seen as less relevant for valuation. However, valuation approaches based on the primacy of the income statement are just a subset of overall fundamental valuation approaches. For example, in contrasting fashion to a core earnings based valuation approach, the residual income valuation approach would place importance on comprehensive income as a valuation input. The balance sheet also conveys key information about the prospects of reporting companies– especially so for banks, for which price-to-tangible equity per share is a frequently used valuation metric. Therefore ignoring period-to-period balance sheet changes is to ignore key information about these reporting entities.

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[8] Graham,J.R., Harvey,C.R., and Rajgopal,S., (2005), *The Economic Implications of Corporate Financial Reporting*. Journal of Accounting and Economics, Volume 40, Issue 1, pp. 3- 73. In a survey of 401 executives the authors found that 51% ranked earnings as the most important performance measure and only 12% of respondents ranking revenues, cash flow from operations or free cash flow as most important. They also find that 96.9% of CFOs prefer a smooth earnings path and that 78% of CFOs would sacrifice real economic value in order to ensure a smooth earnings path. This functional fixation contributes towards a bias on net income sub-total in its current form by preparers.

[9] Dichev, I. and Penman, S., (2007), *On The Balance Sheet Based Model of Financial Reporting*, Columbia University Working Paper.

- *OCI Has Information Content and Should Not be Systematically Overlooked* – The gains or losses of OCI components such as unrealized AFS and cash flow hedge gains or losses have information content and can be predictive of future cash flows. One academic working paper[10] found that unrealized cash flow hedge gains/losses are negatively associated with future gross margin and in that respect future returns. Effectively, gains or losses on cash flow hedges can convey information regarding the future cash flow prospects[11] of the reporting firm. Similarly, another recent academic paper[12] found that AFS unrealized gains or losses are value relevant because they have information content on future cash flows.

  The importance of OCI information was highlighted in a recent publication[13] from the Georgia Tech financial analysis lab based a review of the OCI reporting of S&P 100 companies in US for 2010 to 2012. The paper found that: a) OCI losses were incurred more often than gains; and b) OCI was more than 5% of net income in 38.33% of the cases studied. These findings show that significant magnitudes of items are being posted to OCI and resulting in a rosier net income picture. For these reasons, the authors recommend the following

  > '*These findings should remind analysts and investors that a complete financial analysis should include a careful review of elements of other comprehensive income.*'

  Standard setters must not overlook that the inadequacy of presentation and related disclosures of OCI information could curtail the ability of investors to apply such information. Thus, we take the view that just because information is currently ignored by some investors should not lead to sweeping conclusions on its decision-usefulness. On the contrary, the IASB should apply even more concerted efforts to improve the presentation and disclosures of OCI related information in a manner that elevates the importance accorded to this information by investors and also facilitates the understanding of the predictive content. For example, robust disclosures on the extent of hedging, hedged items and hedging strategies would enhance the predictive value of OCI information on cash flow hedges.

10 Campbell, J., (2009), *The Fair Value of Cash Flow Hedges, Future Profitability and Stock Returns*, University of Arizona Working Paper.

11 For example, the loss on a foreign exchange forward contract used to hedge accounts receivable associated with export sales would mean that the value of expected receivable has also likely increased during the period that the forward loss has occurred.

12 Evans, M.E., Hodder, L.D, and Hopkins, P.E., (2013). *The Predictive Ability of Fair Values for Future Financial Performance of Commercial Banks and the Relation of Predictive Ability to Bank's Share Prices.* Contemporary Accounting Research (forthcoming). These authors contend that the fair value gains or losses of AFS securities inform on the opportunity cost, future interest income and total realized return.

13 Mulford,C.W., Poropatich,B., and Tang,J., ( 2013), *Examining the Components of Other Comprehensive Income*, Georgia Tech Financial Analysis Lab Working Paper.

- *Net Income is Just One Amongst Many Sub-Totals of Interest to Investors* – The functional fixation with net income seems to overlook that there are many other sub-totals that investors apply for valuation and performance assessment (e.g. EBITDA, operating profit, revenue) as it does not provide an objective justification of why one sub-total has to be seen as a reference point for standard-setting purposes. It also overlooks that net income is not an economically defined concept but rather represents an ad-hoc amalgamation of items with varied economic characteristics (e.g. gains or losses from trading financial instruments, one-off special items, and core earnings from operating activities).

- *Assuming Net Income Retention Does Not Resolve Definition of Performance* – Granting a primacy to net income short-circuits the fundamental conceptual question that stakeholders have sought resolution on namely, the definition of performance.

Due to the above reasons, our overall primary message is that a definition of OCI and decisions about its application (e.g. recycling) that simply flow from the assumption that the net income sub-total has to be retained is in itself a limiting factor towards development of robust conceptual principles.

***Recycling Has No Conceptual Foundation:***
***Should not be seen as Part of the Fundamental Definition of OCI***

The Conceptual Framework DP seeks stakeholder views on the necessity of recycling. The Conceptual Framework DP takes the view that the net income sub-total needs to be retained and recycling is necessary because it is currently part of the period-to-period composition of net income reflecting realized gains or losses.

However, we disagree with the IASB view for the following reasons:

- *Further Embeds the Functional Fixation with Net Income Sub-total* – As we have noted above, the functional fixation with net income should not unduly influence the definition of OCI. Even if value relevance of recycled items were to be demonstrated as has been done by one recent study[14], it is most likely a reflection of functional fixation with net income.

  The practice of recycling is simply an artifact of unresolved OCI versus net income distinguishing criteria. Recycling is a practical expedient to satisfy stakeholders who, at this point in time, accord primacy to net income over and above any other sub-total in the income statement.

- *Lacks Conceptual Foundation* – Recycling has no conceptual foundation. For example, there is no conceptual justification for why particular income/expense flows or valuation changes should be reported in net income in periods that differ from the periods in which they

[14] Badertscher, B.A., Burks, J.J, and Easton, P.D., (2013), *The Market Pricing of Other-Than-Temporary Impairments*, The Accounting Review In-Press – The study shows that OTTI gains or losses when recycled from OCI to income statement are incrementally priced relative to unrealized gains or losses recorded in OCI. However, this finding could simply be a reflection of the functional fixation with net income where investors pay attention to items only when recorded in income statement, rather than proof of incremental information content of recycled information relative to information recorded on OCI.

actually occurred. Similarly, why is the realisability of OCI items different from the realisability of initially recognized net income items?

- *Increases Complexity and Opportunities for Earnings Management* – The Conceptual Framework DP highlights the resulting complexity and the opportunities for earnings management as some of the concerns that critics of recycling hold. We share these concerns.

For the aforementioned reason we cannot support recycling. We note that the IASB utilizes recycling less than the FASB. Under both IFRS and U.S. GAAP, however, the nature and location of items recycled lacks transparency to users of financial statements. While recent changes have enhanced the prominence of OCI, the same is not true of recycled items. As such, investors still struggle with the identification of recycled items within the income statement.

***Financial Statement Presentation Principles:***
***Essential to the Consideration of OCI Definition & Application***

In our response to the IASB Agenda Consultation, we emphasized the importance of and need to complete the Financial Statement Presentation (FSP) Project. The importance of FSP for investors is backed by CFA Institute member survey results. Considerable standard-setter development effort and stakeholder input had gone towards developing and deliberating the FSP Project. However, there is little evidence that the Conceptual Framework DP aspires to build on the accumulated perspectives from stakeholders gained from this process.

As we noted in our response to the IASB Agenda Consultation, we recommend that the IASB should not treat the definition of OCI as a disparate project from the overall initiatives to improve financial statement presentation. As noted, OCI is part of the comprehensive income statement. A definition of OCI at the conceptual framework level that is decoupled from the broader presentation consideration only contributes to piecemeal standard-setting and constrains the ability to go beyond the seemingly ad-hoc application of OCI.

## PROPOSED WAY FORWARD

For the definition of OCI to be meaningful for investors, the IASB should be open to a radical review and not simply a conceptual framework definition which retrospectively justifies the existing divide between OCI and the income statement, or simply to provide a basis of future additions to OCI.

As noted earlier, determining the merits of the dual income statements would have been best evaluated under the FSP Project including a consideration of whether distinguishing characteristics of periodic flows are best represented within one comprehensive income statement or across two or more income statements. We have previously conveyed to the IASB and FASB that FSP should be treated as an investor priority for completion.

That said, if defining the purpose of OCI is being undertaken independent of re-opening and finalizing FSP, only the following options can be considered as an enhancement from the current application of OCI:

- Develop economic oriented criteria to distinguish OCI versus income statement items, or
- Require a single comprehensive income statement and give prominence to sub-totals that investors indicate are most important through the comprehensive income statement.

### *Develop Economic-Oriented Distinction Criteria:*
### *To Differentiate Income Statement vs. OCI Application*

*Recurrence or Persistence:*
*A Suitable Criterion to Distinguish OCI vs. Income Statement Items*
Of the different potential distinguishing attributes outlined in Table 8.1 in the Conceptual Framework DP, recurrence or persistence most clearly informs on the predictability of future cash flows. It is also an attribute that has been widely considered by academic literature as a gauge of the information content of income statement line items. Thus, the IASB should explore the development of this criterion beyond the articulation made within the Conceptual Framework DP.

There seems to be a common and flawed assumption that only current income statement items are persistent and predictive of future cash flows while OCI items are not. However, this viewpoint has been refuted by recent academic evidence[15] showing that net income items are not always persistent (e.g. special items) while OCI some items (e.g. AFS and Cash flow hedges unrealized gains or losses) have predictive value for future cash flows whether or not persistent. This evidence shows the need for rigor in developing a consistent application of economic-oriented criterion for separating net income from OCI items.

[15] Ibid 7(b).

We acknowledge that there will be differential persistence across income statement and OCI line items as it will be hard to draw items into clean boundaries of persistent versus non-persistent items. That said, a practical resolution could be to have classification based on a continuum of persistence. Rees and Shane (2012)[16] proposed three categories including:

- High persistence items could be classified under recurrent earnings,
- Medium persistence items could be classified under other earnings,
- Low persistence items could be classified under OCI.

The Board should then be prepared to reconsider and update the existing presentation requirements, to ensure coherence with whatever criteria is decided upon under the conceptual framework.

*Persistence Judgment:*
*Should Take Account of Information Content on Future Period Cash Flows*
At the same time, the judgment on persistence should take into consideration the information content of gains or losses that goes beyond the assessment of predictability or recurrence of a line item. As we have noted earlier, OCI line item (e.g. AFS and cash flow hedges unrealized gains or losses) may not be persistent but they have information content on future cash flows (predictive value).

***Single Comprehensive Income Statement***
If it is not possible to identify operational economic-oriented criteria that can be applied to differentiate OCI versus income statement, then the Board should reconsider requiring a single comprehensive income statement. Within such a statement, the principles of disaggregated presentation can be applied to clearly earmark and accord prominence to the net income sub-total and/or any other sub-totals considered as key performance measures.

We recognize that extensive debate occurred in the past on this matter and many stakeholders were concerned that a single comprehensive income statement would amount to reduced prominence of net income. We disagree with these concerns. Instead, we expect that prominence accorded to all flows to the entity, except for those related to equity holders, allows investors to better evaluate the wealth creation that has occurred during a particular reporting period. Nevertheless, we are mindful that this alternative may not be acceptable to most stakeholders in the short-term and is unlikely to be adopted by the IASB.

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[16] Ibid 7(a).

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Thank you again for the opportunity to comment on the Conceptual Framework DP. If you or your staff have questions or seek further elaboration of our views, please contact either Vincent Papa, PhD, CFA, by phone at +44.207.330.9521, or by e-mail at vincent.papa@cfainstitute.org or Sandra J. Peters, CPA, CFA by phone at +1.212.754.8350 or by email at sandra.peters@cfainstitute.org.

Sincerely,

*/s/ Sandra J. Peters*

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*/s/ Ashwinpaul C. Sondhi*

Ashwinpaul C. Sondhi
Chair
Corporate Disclosure Policy Council

cc: Corporate Disclosure Policy Council