

Comprehensive Income and Equity

Section 1530

Section 3251

Background

- ◆ Consequence of financial instruments standards
- ◆ Comprehensive income in US GAAP
- ◆ Changes in equity in IFRS

Approaches considered

- ◆ Little conceptual basis for other comprehensive income (OCI)
- ◆ International project
- ◆ Better than balance sheet deferral
- ◆ Harmonization prevailed

Scope: What's included?

- ◆ Presentation only – other standards (e.g. CICA 3855, 3865 etc.) specify whether/when an item is recognized in comprehensive income
- ◆ Not-for-profit organizations

Gains & losses included in OCI

- ◆ Available-for-sale (AFS) financial assets
- ◆ Cash flow hedges
- ◆ Translation of self-sustaining foreign operations
- ◆ Appraisal increase credits
- ◆ Donations from non-owners

Presentation

- ◆ Equal prominence to other F/S
- ◆ Disclose total of net income plus OCI (total comprehensive income)
- ◆ Separate disclosure of items in OCI according to their nature
- ◆ Reclassification adjustments
- ◆ Tax effects
- ◆ 3 choices of presentation

Comprehensive income – illustration 1

Sales	XX
Cost of Sales	XX
Expenses	<u>XX</u>
Net Income	<u>XX</u>
Other Comprehensive Income	<u>XX</u>
Comprehensive Income	<u>XX</u>

Comprehensive income – illustration 2

Net Income	<u>XX</u>
Other Comprehensive Income	<u>XX</u>
Comprehensive Income	<u>XX</u>

Comprehensive income – illustration 3

Opening Equity		XX
Net Income	XX	
Other Comprehensive Income	<u>XX</u>	
Comprehensive Income		<u>XX</u>
Closing Equity		<u>XX</u>

An example

- ◆ Entity A acquires an AFS asset for 100

Dr. Asset 100

Cr. Cash 100

- ◆ Year 1: Asset increases in value by 20

Dr. Asset 20

Cr. OCI 20

An example (continued)

- ◆ Year 2: Asset decreases in value by 5

Dr. OCI 5

Cr. Asset 5

- ◆ Entity A sells asset for 115

Dr. Cash 115

Cr. Asset 115

Dr. OCI 15

Cr. Net income 15

Equity

Share Capital		XX
Contributed Surplus		XX
Retained Earnings	XX	
Accumulated OCI	<u>XX</u>	
Accumulated Comprehensive Income		<u>XX</u>
Total Equity		<u>XX</u>

Effective Date and Transition

- ◆ Mandatory-for interim and annual periods in years beginning on or after October 1, 2006
- ◆ Apply at same time as Sections 3251, 3855 and 3865
- ◆ Restate comparatives only for non-financial instrument items

Further information

- ◆ Background Information and Basis for Conclusions
- ◆ AcSB web site: www.acsbcanda.org