Stockholm School of Economics, Department of Accounting
BSc Thesis within Accounting and Financial Management, course 639
Spring 2014
Thesis presentation 2014-05-28

A Practical Approach to Other Comprehensive Income: Does Anyone Really Care?

Authors: Karin Enquist (22677) & Madeleine Magnerius (22386)

Tutor: Walter Schuster

Abstract:

Since 2009, accounting producing entities have been required to incorporate other comprehensive income in their financial statements. Much research has been conducted in order to determine what statistical value relevance this concept *should* have. In this study, we seek to examine the perceived value of other comprehensive income *in practise*. A pre-study is carried out to understand how other comprehensive income occurs in Swedish large cap companies. Thereafter follows our main study where we analyse comment letters, regarding other comprehensive income, collected by the IASB. Our results show that 98% of the companies included in our sample reported other comprehensive income but little information outside the statement of comprehensive income was given in the financial reports. From the main study, we were able to conclude that the respondents clearly demonstrated a preference for profit or loss as the primary financial performance measure. However, this conclusion does not directly imply that other comprehensive income would be useless or invaluable in practise. Consequently, we fail to provide evidence that could imply that accounting producing entities perceive other comprehensive income as a useful concept in practise.

Keywords: other comprehensive income, revised IAS 1, IASB, Sweden, accounting standard

Foreword

We would like to thank our tutor Walter Schuster for valuable inputs. We would also like to thank Madeleine's parents for providing us with unlimited amounts of coffee. Moreover, we are grateful that Helena Enquist took her time to read and critically comment upon our work. Finally, we hope this report will provide insight to the complexity of other comprehensive income.

List of Abbreviations

CI - Comprehensive Income

FASB - Financial Accounting Standards Board (issues SFAS)

IAS - International Accounting Standards

IASB - International Accounting Standards Board (issues IFRS)

IASC - International Accounting Standards (issues IAS)

IFRS - International Financial Reporting Standards

OCI - Other Comprehensive Income

SFAS - Statement of Financial Accounting Standards

TCI - Total Comprehensive Income

US GAAP - United States Generally Accepted Accounting Principles

1 Introduction **1**
1.1 Background **1**
1.2 Purpose of Study **2**
1.3 Thesis Research Question Formulation **2**
1.4 Scope **2**
1.4.1 Scope: Pre-Study 2
1.4.2 Scope: Main Study 3
1.5 Disposition of Thesis **4**
2 Theory and Previous Research **4**
2.1 Theoretical Reference Frame **5**
2.1.1 Introduction 5
2.1.2 History about IASC, IAS, IASB & IFRS 5
2.1.3 Revised IAS 2007 (2009) and 2011 (2012) 6
2.1.4 Connection between IASB (IFRS & IAS) and FASB (SFAS) 6
2.1.5 Structure of OCI 6
2.1.6 Items in OCI 7
2.1.7 Recycling 7
2.1.8 Noncontrolling Interest and Tax 8
2.1.9 Connection to Equity and to the Statement of Changes in Equity 8
2.1.10 Clean Surplus Concept 9
2.2 Previous Research **9**
2.2.1 Introduction 9
2.2.2 How to Present OCI 10
2.2.3 Shenanigan Possibility 10
2.2.4 Unclear Concept 12
3 Method **12**
3.1 Scientific Approach **12**
3.2 Sample **14**
3.2.1 Sample: Pre-Study 14
3.2.2 Sample: Main Study 14
3.3 Data Collection **16**
3.3.1 Data Collection: Pre-Study 16
3.3.2 Data Collection: Main Study 18

4 Results and Analysis ... **19**
4.1 Result and Analysis of Pre-study ... **19**
4.1.1 Result: Pre-Study ... 19
4.1.2 Analysis: Pre-Study ... 22
4.2 Results and Analysis of Main Study ... **24**
4.2.1 Result: Main Study ... 24
4.2.2 Analysis: Main Study ... 26
4.2.3 Main Arguments Observed in Comment Letters ... 26
4.2.3.1 Profit or loss is considered the most important performance measure ... 26
4.2.3.2 "Treating profit or loss as a 'default category' is wrong!" ... 27
4.2.3.3 By separating OCI into items that may be reclassified to profit or loss and items that will not be reclassified, producers of OCI believe they will achieve the fairest presentation ... 29
5 Final Discussion ... **29**
5.1 Conclusions ... **29**
5.2 Generalizability ... **31**
5.3 Reliability ... **31**
5.4 Validity ... **32**
5.5 Future Research ... **33**
References ... **34**
Appendix ... **37**
Appendix 1 – Sample: Pre-Study ... **37**
Appendix 2 – Output: Pre-Study per Company ... **38**
Appendix 3 – Sample: Main Study ... **39**
Appendix 4 – Broad and Narrow Approach to OCI ... **40**
Appendix 5 – Exchange Rates ... **41**
Appendix 6 – Repo Rates in Sweden ... **41**

1 Introduction

"*Other comprehensive income is a concept no one really cares about in practise*" an influential financial analyst said to a group of 30 students. One of the listeners moaned loudly and said: "*But why do we have to learn about it then? I can understand that accounting could be problematic, but if it is a concept nobody even cares about, why doesn't the IASB just abolish the whole thing?*"

1.1 Background

Other comprehensive income (OCI) has, long before the concept was implemented in the financial statements, been widely discussed among as well standard setters as producers and users of financial information. The discussion has mainly evolved around the value relevance of OCI and how the concept should practically be used and interpreted. Much discussion has concerned whether net income or total comprehensive income (TCI) should constitute the "bottom line" (Dhaliwal, D., Subramanyam, K. R. and Trezevant, R. 1999, 43-67) but from the producers' point of view, the discussion has revolved around the vaguely defined standards controlling OCI (Rees, L. L. and Shane, P. B. 2012, 789-815). The standard controlling OCI was revised 2007 (implemented 2009) with an aim to clarify the concept.

Mid 2011, the International Accounting Standards Board (IASB) launched its first public consultation aiming to explore what stakeholders wanted the IASB to prioritize in the future (IASB, 2011a). After the collection of respondents, it was possible to draw the conclusion that, among others, OCI was a concept in need for discussion. Two commonly expressed views were: "(...) *OCI is perceived as a 'dumping ground' for anything controversial*" and "*many users of financial statements ignore changes reported in OCI*" (IASB 2013, 150).

In 2013, the IASB issued a discussion paper regarding, among other things, OCI. One of the objectives with the discussion paper was to understand how different stakeholders perceived OCI and their attitude towards the current way of reporting profit or loss and OCI. The IASB is aiming to introduce a revised version of the Conceptual Framework in 2015 (IASB 2013, 14), and the presentation of OCI is anticipated to be a focus area.

We wanted to take this opportunity to explore some of the respondents' comments to this discussion paper. Is it really true that a concept all European listed companies need to incorporate in their reporting is a concept "*no one cares about*"?

1.2 Purpose of Study

We do not believe that we are able to explain what others are not - many scholars have tried to derive whether or not TCI would be more value relevant than net income, however there is not a clear picture in the research jungle.

With this study, we wanted to take a different approach and try to explain if the producers of OCI seem to find OCI as a useful concept in practise. We have not yet come across a similar study and therefore we are hoping to contribute with a more diverse picture than the purely quantitatively studies that try to explain what value OCI *should* have in theory: we seek to explain what perceived value OCI as an accounting concept *actually* has in reality.

As will be discussed in the section regarding previous research, OCI is still considered to be a fairly unclear concept, and the IASB is currently trying to identify what different stakeholders believe are the key issues and advantages with it. By trying to explain what accounting producing entities consider important in regards of the concept, we are also trying to add criticism and comments as a response to the IASB's discussion paper.

1.3 Thesis Research Question Formulation

Our research question for this study is defined as: *do accounting producing entities perceive OCI as a useful concept in practise?*

A pre-study is carried out to examine how the concept is used in practise. A sub-research question for this pre-study is defined as: "*is OCI significantly occurring in Swedish large cap companies?*". If at least 90% of our sample reports OCI, and also that OCI is at least 5% on average of net income we accept this as "significantly occurring".

1.4 Scope

1.4.1 Scope: Pre-Study

When conducting the pre-study, research boundaries in regards of which accounting producing entities to examine and during what time period were drawn.

Firstly, we have chosen to examine Swedish large cap companies listed on the Stockholm Nasdaq OMX. The reasons behind this delimitation were accessibility of financial information and reporting language. In addition, as the absolute majority of these companies are known to us, we believe this could potentially benefit us when analysing our data set. However, our analysis will naturally be biased towards Swedish companies hence this restrains valid conclusions regarding any other group of companies (even other Swedish companies). However, as all listed European companies are required to report OCI our results and analysis could still be an indication of the situation.

Secondly, regarding the width of the pre-study, we have chosen to collect data for the years 2009-2013. The reason behind this was that the standard controlling OCI was implemented in 2009 hence a comparison within the sample is based on consistent data. Also, a five year time span allows a sufficient amount of data to be handled and act as basis for our analysis. This delimitation makes conclusions attributable solely to the years 2009-2013 and nothing can be says about time before and after that time window.

1.4.2 Scope: Main Study

In order to answer our overall research question, we wanted to analyse comment letters received by the IASB as a response to their 2013 discussion paper. The public was invited to comment upon several accounting related topics (where "presentation in the statement of comprehensive income" was one out of nine sections), and by delimit ourselves to these comment letters we aim to conclude how stakeholders perceive OCI in practise. Naturally, as our sample solely consists of comment letters, it restrains conclusions in the way that only those that have actively raised their voices and participated in the IASB's discussion paper will be taken into account. Nevertheless, we believe this delimitation is appropriate due to firstly, the comments regards a topic of our interest and secondly, the comment letters were made public in early 2014 and therefore one can assume the views represent a current picture.

Among the 241 comment letters, we have chosen to delimit our sample to the comment letters originating from producers of OCI. The reason for this delimitation is that our research question regards the producers of accounting. Also, for a credent comparison to the pre-study, the corresponding sample in the main study must, to the greatest extent as possible, be similar to the one in the pre-study. Consequently, companies themself constitute the samples for the two studies.

Two alternative approaches would have been to analyse comment letters from users of OCI (investors as an example) or organizations involved in standard setting. However, there were few investor associations contributing with comment letters hence the sample would have been too small. Also, if letting organizations involved in standard setting constitute our sample, it would be difficult to argue that the opinions of these answer our research question. Of course, the delimitation towards companies and not other stakeholder groups makes conclusions only attributable to the producers of OCI.

A potential weakness with our overall scope is that the main study represents a different (larger) geographical scope than the pre-study. However, as the companies in our pre-study report according to International Financial Accounting Standards (IFRS), we believe there is a connection to the sample in the main study as the answers regards the discussion paper that is made by the IASB regarding IFRS.

1.5 Disposition of Thesis

This study is presented and disposed in four main sections.

The first section covers the theoretical reference frame and previous research associated to the research question. A historical summary and basic understanding for the concept is provided. The previous research will further on be compared to our analysis. The second section regards our research method and which methodological choices we made. The samples for the two studies are described and how data has been collected. Result and analysis is the third section where we present our findings from the pre- and main study respectively. A final discussion follows and this fourth section aims to conclude the results provided and discuss whether the conclusions are generalizable, reliable and valid. A discussion regarding possible future research is the final part of the last section.

2 Theory and Previous Research

The first section acts as a theoretical background to our study where we discuss the development and structure of OCI. Also, we discuss the previous research that is relevant to our research question.

2.1 Theoretical Reference Frame

2.1.1 Introduction

The two most fundamental financial accounts are the statement of financial position and the statement of profit or loss. The latter is often used as the number one report to predict future cash flows but ever since the concept OCI was introduced, there has been much discussion regarding how to report income. The discussion arose based on the traditional view that only realized profits should be included as earnings in the statement of profit or loss. There are mainly two issues arising from this view. First, the definition of "what is realized" is vague. Secondly, value changes, beside such that are realized, may have occurred (due to macroeconomic factors as an example) during the period and, according to fair presentation, these changes should be presented. These gains or losses, are all part of, and presented as, comprehensive income (CI) (Schroeder, R. G., Clark, M. W. and Cathey, J. M. 2005, 183). The stated purpose of CI is to report all changes in equity that result from transactions other than such with owners (IAS 1.7). When used with other related accounting information, CI aims to help assessing future cash flows and hence evaluate performance (Schroeder, R. G., Clark, M. W. and Cathey, J. M. 2005, 183). Nevertheless, more focus is directed to the statement of profit or loss. The reason might be that only realized profits are viewed as reliable earnings estimates and these are mainly presented in the statement of profit or loss (Alexander, D. and Nobes, C. 2010, 101-108). The relationship between profit or loss and OCI can be explained as: net income + OCI = TCI.

2.1.2 History about IASC, IAS, IASB & IFRS

The International Accounting Standards Committee (IASC) was founded in 1973 with an aim to develop worldwide accounting standards. In 2001, the IASC was replaced by the IASB. However, the IASB decided to retain all of the IASC's pronouncements (IASs) unless they were replaced by new ones (IFRSs). IFRS replaced IAS since the IASB is the IASC's predecessor but as mentioned above, the majority of the IASC's IASs were retained by the IASB (Schroeder, R. G., Clark, M. W. and Cathey, J. M. 2005, 82). The IASB aims to harmonize international accounting standards because firstly, many countries do not have established programs for developing accounting standards and secondly, there is a perceived longing for increased reliability of foreign financial statements (Schroeder, R. G., Clark, M. W. and Cathey, J. M. 2005, 77).

2.1.3 Revised IAS 2007 (2009) and 2011 (2012)

Since 2005, it is required for all listed European entities to follow IFRS in their consolidated accounts (FAR 2013a). IAS 1, *Presentation of Financial Statements,* was revised by the IASB in 2007 (implemented 2009) and the revised standard required all changes in equity, besides those arising from transactions with owners and if not already reported in the statement of profit or loss, to be reported in OCI. It is not, as previously permitted and before IAS 1 was revised, allowed to present these items in the statement of changes in equity. The most current revised version of IAS 1 (introduced 2011 and implemented July 1 2012) did not imply any radical change to the standard. Two differences were firstly to clarify that the statement of profit or loss is to be followed directly by the statement of OCI and secondly that it from July 1 2012 and onwards is required to specify which items in OCI that may be reclassified to the statement of profit or loss and which items may not be reclassified (IAS 1).

2.1.4 Connection between IASB (IFRS & IAS) and FASB (SFAS)

IAS 1 was revised 2007 partly to bring the standard more in line with the Statement of Financial Accounting Standards (SFAS) which is a standard issued by the Financial Accounting Standards Board (FASB). All listed American entities are required to follow SFAS. IAS 1 was revised to more closely correspond to SFAS No. 130, which handles CI (IASB 2011b). In 2002, the IASB and the FASB agreed to cooperate towards harmonized international accounting standards. A joint collaboration was initiated to minimize differences between existing accounting recommendations (FAR 2013b).

2.1.5 Structure of OCI

IAS 1 allows entities to present items of income and expense recognized in a period in two ways (IAS 1.81):

1. As a single statement of CI
2. In two statements: one presenting components of profit or loss and the other one beginning with net income and presenting components of OCI.

Profit or loss is defined as income less expenses, excluding components of OCI. Similarly, OCI is defined as items of income and expenses that are not recognized in profit or loss (IAS 1). The concepts are separated in the way that the statement of profit or loss reports flows of revenues and expenses and OCI presents unrealized value changes (Alexander, D. and Nobes, C. 2010, 22). According to White, Sondhi and Fried (2003, 37), net income and OCI are loosely related to each other as they do not fulfil the same aim. However, the format of OCI is not prescribed; IAS 1 solely sets out minimum information that should be presented (Atrill, P. and McLaney, E. 2013, 157).

OCI must be presented classified by nature and grouped between those items that will be reclassified to the statement of profit or loss during subsequent periods (IAS 1.82A). IAS 1 states that items shall not be presented as extraordinary but besides that restriction, entities are free to use their own terms as long as the meaning is clear (IAS 1.8).

2.1.6 Items in OCI

IASB permits and requires some items to be excluded from the statement of profit or loss and instead be presented in OCI. These items are the following (IAS 1.7):

- *Changes in revaluation surplus (mainly originated from property, plant and equipment, IAS 16, and intangible assets, IAS 38)* - if the carrying amount increases or decreases, this value change is recorded in OCI.
- *Actuarial gains and losses on defined benefit plans (IAS 19)* - when accounting for defined benefit plans, actuarial assumptions must be made and the value changes resulting from changed such are recorded in OCI. When revised IAS 19 was implemented (from fiscal year 2013), accounting producing entities had to restate their numbers for 2012 as the corridor method was abolished.
- *Gains and losses arising from translating statements of a foreign operation (IAS 21)* - when valuing assets and liabilities of a foreign subsidiary these must be translated from the local currency. The value change arising from this translation is presented in OCI.
- *Gains and losses on remeasuring available-for-sale financial assets (IAS 39)* - the assets are valued as market values and the value changes from year to year are presented in OCI.
- *The effective portion of gains and losses on hedging instruments in a cash flow hedge (IAS 39)* - value change on such financial instruments are shown in OCI.

2.1.7 Recycling

The revised IAS 1 (implemented 2012) requires presentation of which OCI-items that are to be reclassified to the statement of profit or loss. Items that, in the future, may be recycled to profit or loss must be presented separately from those items that will not be recycled (IAS 1.92). This revision simply changed the presentation of OCI, it did not change the nature of items or whether reclassification will occur or not. This change assists users of accounting to more easily assess how future earnings will be affected (EY 2012, 12). When value changes, previously included in OCI, are realized, they are included in profit or loss. When realized, the item is deducted from OCI and instead included in profit or loss (IAS 1.93). Reclassification adjustments arise on disposal of foreign operation, derecognition on available-for-sale financial assets and when a hedged transaction affects profit or loss (IAS 1.95). Adjustments do not arise on revaluation surplus or actuarial gains or losses on defined benefit plans (IAS 1.96).

2.1.8 Noncontrolling Interest and Tax

Beside the requirements mentioned above, when reporting CI, two more items may be included; amount of OCI attributable to noncontrolling interest (IAS 1.83) and tax attributable to OCI (IAS 1.90). IAS 1 demands that it is shown, in the statement of CI, what amount is attributable to noncontrolling interest and what is attributable to the shareholders of the parent company. Furthermore, according to IAS 12, tax is to be shown where the earning is reported. If earning is reported in the statement of profit or loss, tax has to be reported in the statement of profit or loss. Similarly, items presented in CI must present its associated tax amount in CI. IAS 1 allows entities to present components of OCI either net or gross of tax (if choosing to report gross of tax, tax related to OCI-components needs to be presented on a separate line). This information may be shown either in the statement of CI or in the notes. However, as being discussed in IAS 12.63, it might be difficult to determine tax attributable to items reported outside of profit or loss. In this case, tax is approximated by using a suitable pro rata allocation or another appropriate tax allocation. Regarding gains and losses arising from translating statements of a foreign operation, these are not subject to taxation to the same extent as the other items in OCI are. One reason why these items may not be subject to taxation is that they only occur in the consolidated accounts and not in the individual company that is subject to taxation (Lönnqvist, R. 2012, 14, IAS 21.50, IAS 12.38). The corporate tax rate in Sweden changed from 26,3% to 22% January 1 2013 (Skatteverket, 2013).

2.1.9 Connection to Equity and to the Statement of Changes in Equity

OCI constitutes all changes in equity resulting from all other transactions than those with owners. A negative OCI means a decrease in equity and vice versa (IAS 1). In this way, the statement of OCI extends the statement of profit or loss and acts as a complement to the statement changes in equity. The statement of changes in equity and CI complement each other in the way that they show all transactions with owner’s equity (Smith, B. P. 2010, 98).

2.1.10 Clean Surplus Concept

The concept of CI as an all-inclusive concept aligns with the clean surplus concept, which means that all gains and losses are reported in the statement of profit or loss (Luecke, R. W. and Meeting, D. T. 1998, 45). More specifically, the clean surplus relation means that all changes in equity, besides those resulting from transactions with owners, are reported in the statement of profit or loss (FAR 2013c).

$$CI_t = BV(E)_t - BV(E)_{t-1} - NETCAP_t + div._t$$

CI is clean if it equals the difference between the opening and closing value of equity adjusted for net capital inflows and dividends. If certain transactions affecting earnings are not reported through the statement of profit or loss, these flows violate the clean surplus relation and makes the transactions dirty ones (Wang, R. C. 2009, 343-344).

As discussed earlier, there is a clear relationship between equity and earnings and because all changes in equity can affect earnings, it can be logical to report all changes in equity in the statement of profit or loss. This reasoning is applicable on CI and the revised IAS 1 since it requires all changes, besides those resulting from owner transactions, to be reported in CI.

2.2 Previous Research

2.2.1 Introduction

Much research has revolved around clarifying vague accounting standards towards ideal representation that provides the best basis for decision. There has been much debate regarding how to best structure TCI. Some claim that items presented in OCI are unconnected to the core business and management control and that it, therefore, is preferable to separate these items from net income (Rees, L. L. and Shane, P. B. 2012, 789-815). A common argument is that if not presented separately earnings might be misleadingly volatile (Hirst, E. and Hopkins, P. 1998, 52). Others believe that by presenting these items separately, focus is ablated from transactions affecting equity and these transactions may represent valuable information when evaluating company performance (Eaton, T. V., Easterday, K. E. and Rhodes, M. R. 2013, 32-35). According to Godfrey et. al. (2010, 429), there is a trend towards a single set of financial information and that income, displayed as CI, should include all relevant information. The trend moves away from allowing separate statements that show unrealized gains or losses. As it of now is permitted to present net income and OCI in separate statements, some flexibility is allowed in reporting these unrealized value changes as dirty surpluses. However, the issue regarding CI and dirty surplus accounting has doubtless become a growing issue in recent years and the IASB is constantly working on improvements for performance reporting (Wang, R. C. 2009, 341).

2.2.2 How to Present OCI

Previous research has investigated the effects of the different ways of presenting OCI and what value relevance OCI has compared to net income (Dhaliwal, D., Subramanyam, K. R. and Trezevant, R. 1999, 43-67). If capital markets were efficient and investors were rational, there would be no need to specify how to report OCI – all information is mirrored in the price (Berk, J. and DeMarzo, P. 2011, 450). However, one study has shown that how and where items are being reported has an effect on the users ability to use the information (Hirst, E. and Hopkins, P. 1998, 47-75). This might seem obvious but as mentioned above, finance theory suggest that if markets are efficient there would be no need to present OCI in a certain way. Hirst and Hopkins' results showed that earnings management was easier detected if CI was reported in connection to the statement of profit or loss. Another study (Chambers, D. et. al. 2007, 557-559) examined whether stock-price returns are affected by the location of OCI. The evidence was that information regarding OCI affects the stock price if that information is shown without connection to the statement of profit or loss. When included in the statement of profit or loss, it has little effect on stock prices.

2.2.3 Shenanigan Possibility

According to Smith and Reither (1996, 14-19) an investigation of financial statements has shown a great variability and inconsistency in the way value changes are reported. This makes it difficult for users to analyse performance and because of this, the information provided cannot be exploited in a desirable way. Although information about OCI is included in the financial statements, regardless of how it is presented, that information is not consistently presented between companies. For example, items are often aggregated so that individual such are difficult to identify. To be able to fully assess a company's performance, these components of OCI must be presented in a consistent way.

The problem with comparison between industries and also companies reporting CI in different ways can be connected to Hirst and Hopkins research mentioned above. Value changes on available-for-sale marketable securities as an example are reported according to fair value on the statement of financial position. Gains and losses on these securities are only recorded in the statement of profit or loss when realized. This concept opens up for an opportunity for management to time the sale of these securities to make net income present desirable results. There is a loophole in the standard controlling OCI, and a way for management to use this. A clear and consistent presentation of CI would prevent certain earnings management issues (Hirst, E. and Hopkins, P. 1998, 47-75). Arthur Levitt (1998, 79-82) argues that high quality accounting standards are transparent and comparable and one might question whether the standards controlling OCI fulfil these attributes. According to Levitt "*good accounting standards produce financial statements that report events in the period in which they occur, not before and not after. This means that there are no extra 'rainy days' reserves, no deferral of loss recognition, and actual volatility is not 'smoothed away' to create an artificial picture of steady and consistent growth*". Furthermore, Levitt discusses the increasing aim for international consistency among accounting standards as more investors and analysts broaden their horizons. However, he believes that these harmonized standards will only be successful if they provide "*credible information grounded in transparent financial reporting*". Levitt also mentions that high quality accounting standards are not created overnight and this might be the problem with OCI as it is a rather new concept. After all, the objective of IAS 1 is to "*prescribes the basis for presentation of general purpose financial statements to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities*" (IAS 1).

As mentioned, it seems to be an inconsistency regarding how to report OCI and this creates an issue for both professional and unprofessional users of accounting information. Maines and McDaniel (2000, 179) discuss that non-professionals might be more affected by the inconsistency than the professional ones because of their limited understanding of financial information. Therefore, it can be assumed that they will be more affected by the presentation of OCI. The results are in line with those from Hirst and Hopkins; analysts fail to analyse information presented apart from the statement of profit or loss. Preparers of information have argued that professional investors are not affected by the location of OCI since the information can be found regardless if it is presented right after the statement of profit or loss. They also argue that non-professional users will find the location underneath the statement of profit or loss confusing since they will not know when to use net income and when to use CI (Maines, L. and McDaniel, S. 2000, 179).

2.2.4 Unclear Concept

An article written by Rees and Shane discusses that the current reporting of OCI is ad hoc and that standard setters should improve it by developing a better framework (Rees, L. L. and Shane, P. B. 2012, 789-815). Even though the IASB and the FASB are currently working on a joint development, Rees and Shane argue that the current standards are not functioning well enough and that they create several standard-setting issues. According to the authors, the most outstanding issue is to determine which items belong to earnings and which belong to OCI. They mean that standard setters have not yet developed a framework that solves these issues. Rees and Shane suggest standard setters to define earnings in a way that items can be reported as earnings or OCI. The authors argue that the IASB's definition of earnings is incomplete because it does not define or distinguish the components of OCI clear enough. Rees and Shane present four attributes that standard setters could use when defining earnings and OCI: whether the item results from a firm's core operation, whether the item results from something within management control, whether the item results from a remeasurement of an asset or liability and whether the item is persistent or transitory.

3 Method

This following section will describe the method used and the decisions associated with the research method.

3.1 Scientific Approach

Our aim with this study is to investigate what perceived value OCI seems to have by its producers. In order to do so, we approach our research question in a qualitative manner as others have tried to quantitatively determine the value relevance of OCI compared to net income - and oftentimes it has seemed hard to draw any valid conclusions as these two are often strongly correlated (Dhaliwal, D., Subramanyam, K. R. and Trezevant, R. 1999, 43-67). However, with this study, we grasp a new approach which we have not previously come across. That is to determine what perceived value OCI seems to have in practise by examine the views of a couple of accounting producing entities. However, before approaching the overall research question, a pre-study was conducted in regards of the amounts of OCI that occur in listed Swedish large cap companies. If able to conclude that OCI prevails in the absolute majority, we believe OCI *should* have practical relevance. As the last part of the pre-study, all annual report for 2013 were screen to comprehend if the companies emphasize OCI-related information.

Our original thought for the main part of our study was to reach out to different stakeholders to a listed company in Sweden (that is, the CEO, CFO, the board of the company, the company's auditor, an analyst covering the company and so forth) and try to figure out if, and if, then how and why different stakeholders ascribe OCI different practical value. However, we soon concluded that this approach would be difficult to conduct due to lack of access. Also, potential conclusions might not be generalizable. Therefore, we have chosen a different approach, which is to analyse comment letters from one of the IASB's latest public consultations.

When approaching our data, the comment letters, in order to conduct a content analysis, we were careful in making each of our decisions in regards of our sampling strategy and categorization and abstraction as these are key areas according to Elo et. al. (2014, 1-11) if a researcher attempts to improve trustworthiness of one's content analysis. First, we had to identify a homogenous group to increase chances of making conclusions more generalizable - we chose producers of OCI. The criteria of identifying this sample was made by screening all websites of the respondents in order to recognize which respondents could be categorized as a "Company".

The next step was to secure units of analysis - that is, the chosen parts from the discussion paper and its corresponding comment letters. In beforehand, we also determined that we wanted a response rate of at least 50% to continue with our analysis. When we concluded that this prerequisite was fulfilled, we chose to summarize each respondent's answers and thereafter we identified a number of main arguments. Although some interpretation of the answers have been made, we have only deduced main arguments from statements that actually have been made - that is, if someone else would read all comment letters originating from companies, that person would recognize our main arguments as well.

As Harwood and Garry (2003, 479-498) describe, content analysis may help a researcher to identify attitudes, values and interests. By approaching our data in both a pragmatic and semantic analysis manner (that is, both trying to evaluate the number of times certain words/phrases are stated but also trying to confirm the underlying meanings) we aimed to distinguish arguments that represent respondents' views.

3.2 Sample

3.2.1 Sample: Pre-Study

When conducting the pre-study we have collected data from listed Swedish large cap companies but we have excluded those reporting in accordance to United States Generally Accepted Accounting Principles (US GAAP) or other accounting standards that are not IFRS. The reason for this exclusion is that a comparison is not possible to conduct between those companies reporting in accordance to IFRS and those reporting in accordance to other standards. There are 65 companies considered as large cap in Sweden and two of those (ABB and Autoliv) do not report in accordance to IFRS. When these two companies are excluded, our sample consists of 63 companies (see Appendix 1).

3.2.2 Sample: Main Study

In mid 2011, the IASB, launched its first public consultation (IASB 2011a) with the aim to map out its future work plan. After the collection of respondents, it was possible to draw the conclusion that, among others, OCI as a concept was in need for discussion.

Mid 2013, the IASB issued a discussion paper regarding its Conceptual Framework which the public was invited to comment upon (IASB 2013). In line with the Agenda Consultation 2011, the board identified a number of issues regarding the framework, such as guidance being unclear in certain areas. More specifically in regards to OCI (and the presentation in the statement of CI), which was previously not "*specifically discussed*" in the Conceptual Framework (IASB 2013, 13), the use of OCI and recycling was identified as important topics for the IASB.

The IASB is aiming to introduce a revised version of the Conceptual Framework in 2015 (IASB 2013, 14) and the presentation of OCI is anticipated to be a focus area. In Section 8 (Presentation in the statement of CI - profit or loss and OCI) of the discussion paper, the concept of OCI, recycling and its relation to profit or loss is debated followed by questions. Especially, we wanted to focus our analysis on the respondents answers to the following two questions, which addresses important issues that are relevant for this study:

Question 19: *The IASB's preliminary view* [is] *that the Conceptual Framework should require a total or subtotal for profit or loss* (...). *Do you agree? Why or why not? If you do not* *agree do you think that the IASB should still be able to require a total or subtotal profit or loss* (...)*?* (IASB 2013, 236)

We chose this question as the discussion paper introduces common arguments for retaining profit or loss as a total or sub-total, but also arguments in favour of abolishing profit or loss as a total or sub-total (implying that TCI would be the total). Therefore, this question is an appropriate starting point for our analysis.

Question 21: *In this Discussion Paper, two approaches are explored that describe which items could be included in OCI: a narrow approach* (...) *and a broad approach* (...)*. Which of these approaches do you support, and why? If you support a different approach, please describe that approach* (...)*.* (IASB 2013, 237)

The discussion paper introduces two approaches (the approaches are illustrated in Appendix 4) regarding recycling, namely:
- Approach 2A, “the narrow” approach: all items in OCI are recycled to profit or loss
- Approach 2B, “the broad” approach: some items in OCI are recycled to profit or loss
(Also they present an “approach 1” in the discussion paper, however that approach prohibits recycling altogether).

As it is of the IASB’s view that recycling should be required, the IASB focuses the question on which of the approaches is more appreciated by the respondents. Approach 2B is the technique most similar to the way companies are currently reporting OCI and therefore, we considered question 21 as an appropriate second step in our analysis as we are interested to examine whether or not the respondents seem to appreciate the current way of reporting.

As the respondents to the 2013 discussion paper were 241 in number - a variety of organizations and people - we decided to categorize these into relevant stakeholder groups and thereafter focus on a specific stakeholder group of interest and analyse their opinions about OCI. The stakeholder group we chose to focus on was respondents originating from companies - that is the producers of OCI-data. After conducting our pre-study we discovered several issues that problematized the analysis and comparability of OCI-data between companies. We believed it would contribute the most to our study if we analysed what producers (unfortunately not the exact same companies) consider in regards of the use of OCI.

3.3 Data Collection

3.3.1 Data Collection: Pre-Study

From the 63 companies included in the sample, data has been collected from annual reports from years 2009 to 2013, totalling to 315 reports. From these, information regarding OCI was recorded. More precisely, the following data was collected: net income, OCI, TCI and all separate items of OCI. As the separate items, in absolute numbers, potentially could exceed total OCI (due to a potential cancel out effect on positive and negative OCI-items) we decided to collect all items of OCI.

Data has been collected manually since no information regarding OCI was found in any database. For accuracy, a residual was created to make sure that all items were recorded correctly. TCI must equal net income plus OCI and consequently, the total of all items recorded in OCI must equal TCI minus net income.

Although IAS 1 covers which items are allowed to be reported in OCI, companies in our sample have reported the items very differently and they have not seldom been creative in how they name the items. However, we have used the proposed names of the items stated in IAS 1. Even when companies have used different names we have concluded to which of the five permitted items that differently named item belong. This has been possible by reading notes and specifications of the OCI items.

Regarding how to report tax attributable to OCI, this is also something that IAS covers but in practice, companies report tax in many different ways. The alternative of reporting the items either net or gross of tax increases the complexity of collecting the data. This has been the main issue when collecting information about OCI, as we want to compare the items to net income (which is a measure net of tax). Out of the 63 companies included in our sample, many have chosen to report the items in OCI gross of tax but it was often possible to derive the taxes attributable to each item either directly from the statement of CI or in the notes regarding tax.

Below is an extract from AarhusKarlshamn's annual report 2012, where it is clear that the tax only refers to the item fair-value changes in cash flow hedges:

Consolidated Statement of Comprehensive Income

SEK million	Note	Jan-Dec 2012	Jan-Dec 2011
Profit for the period		647	604
Translation differences		-98	-35
Fair-value changes for the year in cash flow hedges.		-13	-19
Tax attributable to fair-value changes in cash flow hedges.		3	5
Total comprehensive income for the period		**539**	**555**

However, 15 of the companies that reported the items in OCI gross of tax did not refer to any further information and therefore, we could not collect the data for each of the separate items in OCI net of tax by solely using the information provided in the annual report. As an example, please see the extract below from Alfa Laval's annual report 2012. In this case, it is not specified to which items in OCI tax is attributable and note 15 does not give further guidance:

Other comprehensive income:				
Cash flow hedges		168	-335	122
Translation difference		-858	-206	-554
Deferred tax on other comprehensive income	15	-50	120	-36
Comprehensive income for the year		**2,467**	**2,830**	**2,648**

A standard tax rate (the corporate tax rate in Sweden, that is 26,3% for the years 2009-2012 and 22% for 2013) was used to distribute the tax lump sum between the OCI items. This was done for all items except gains and losses arising from translating the financial statements of a foreign operation. This is because this item is not directly subject to taxation (also explained in the section regarding theoretical reference frame). Consequently, when tax has been reported as a lump sum, we have distributed that sum on the different items in OCI (excluding gains and losses arising from translating the financial statements of a foreign operation) and often, the residual has been close to zero. When the residual has deviated from zero, we have distributed this amount as tax on gains and losses arising from translating the financial statements of a foreign operation. Therefore, in 15 cases we have been forced to distribute tax ourselves and the quality of our dataset cannot be ensured as the residual formula does not operate in our favour.

Furthermore, five companies had reported their financial statements in US dollar and five companies in EUR. We chose to translate all currencies into SEK (see Appendix 5 for exchange rates). Of course, this translation would not have been necessary when calculating ratios, but we wanted to structure our data in a consistent way.

When all data had been collected, the companies were divided upon six industries to better explain differences that could not be explained on a company level (see Appendix 1). When this had been done, characteristics of OCI were studied. This was done in a few steps starting with calculating averages based on absolute numbers for each company. Averages and medians of net income, CI, TCI and each item in OCI were calculated for the years 2009-2013. Averages and medians were then calculated for each industry. Calculations were made both on company- and industry level in order to enable comparison.

The last part of the pre-study was to screen the annual reports and record how OCI was mentioned. The same sample in terms of companies, as mentioned above, was used but only the financial reports for 2013 were screened. A scale from one to three regarding how much information was provided was used. Those companies solely referring to the standard itself were graded "one". Those presenting some information outside the notes and not solely regarding the standard were graded "two". Lastly, those companies presenting somewhat more information regarding, for example how OCI had evolved over time, were graded "three".

3.3.2 Data Collection: Main Study

As the IASB made all comment letters received publicly available online, we had no problems in gathering all 241 respondents. However, the only information regarding the respondents we could gather was the dates the comment letters were submitted, by whom and from which organisation. That is, we had to categorize all respondents into appropriate stakeholder groups. We categorized each comment letter into one of the following: accounting association, accounting board/standard setter, accounting firm, company, individual, specialized federation (such as an interest group for certified actuaries as an example) and university/educational institution.

The first screening we conducted examined whether or not the respondents had answered the questions regarding OCI which we were interested in. The aim with the first screening was to comprehend whether or not the different stakeholder groups perceived OCI as an important topic to discuss - we cannot conclude that the respondents that did not answer the questions perceive OCI as an unimportant area. However, if none had chosen to respond to the questions we were interested in, we would not have a sufficient material to stand on. Not surprisingly, organizations which we have classified as either accounting associations, accounting boards/standards setter or accounting firms had a higher response rate in regards to the questions we have been interested in analysing. However, we should add that those three categories seemed to a larger extent have answered to all questions compared to the rest of the organizations that submitted a comment letter.

When we were able to conclude that enough respondents (response rate > 50%) from our focus-category "company" had responded to question 19 or question 21 (or both), we then continued to our second screening, where we extracted and identified one key takeaway for each of the comment letters originating from the category "Company" in order to enable us to analyse this category more in depth.

However, the issue that arose was that one comment letter did not only carry one main message, nor did our key takeaways give an exhaustive picture. By trying to identify words or phrases that are most frequently used (as we tried by isolating a single main message per comment letter), one may miss the bigger picture. As we wanted to formulate our analysis into main arguments representing the views of our sample, we chose to summarize each of the comment letters of interest and thereafter we formulated main arguments for the entire category. As mentioned in our scientific approach; although some interpretation of the answers have been made, we have only deduced main arguments from statements that actually have been made - that is, if someone else would read all comment letters originating from companies, that person would recognize our main arguments as well.

4 Results and Analysis

In the following section, the findings and corresponding analysis will be presented for the pre- and main study respectively.

4.1 Result and Analysis of Pre-study

4.1.1 Result: Pre-Study

In Table 1, the output from our pre-study is presented:

Industry	n observations	% using OCI	OCI/NI	OCI/TCI	G&L transl. foregin/NI	G&L remeas AFSFA/NI	Ch revaluation/NI	Actuarial G&L DFB/NI	G&L hedges/NI	OCI in ass./NI
Financial	**12**	91,7%								
Average			20,2%	17,1%	9,2%	6,6%	8,7%	2,6%	5,3%	2,4%
Median			13,6%	12,8%	4,8%	0,0%	0,0%	0,6%	5,6%	0,0%
Health care	**5**	100,0%								
Average			19,3%	24,2%	22,3%	0,1%	0,0%	3,2%	9,9%	0,0%
Median			21,7%	22,8%	18,9%	0,0%	0,0%	3,2%	4,5%	0,0%
Industrial	**26**	100,0%								
Average			29,6%	31,2%	26,4%	2,0%	0,0%	6,2%	10,7%	0,4%
Median			21,4%	24,4%	17,1%	0,0%	0,0%	2,4%	6,6%	0,0%
Other	**6**	100,0%								
Average			24,7%	30,5%	25,9%	0,1%	0,0%	3,3%	2,6%	0,6%
Median			28,3%	29,1%	28,6%	0,0%	0,0%	2,6%	0,8%	0,0%
Real Estate/Construction	**9**	100,0%								
Average			7,7%	8,7%	3,9%	0,3%	0,0%	2,9%	3,5%	0,0%
Median			5,6%	5,8%	0,4%	0,0%	0,0%	0,2%	1,1%	0,0%
Retail	**5**	100,0%								
Average			12,1%	16,6%	12,8%	0,6%	0,1%	4,1%	1,2%	0,5%
Median			6,5%	6,1%	6,5%	0,0%	0,0%	0,6%	1,2%	0,0%
Total	**63**	98,4%								
Average			18,9%	21,4%	16,7%	1,6%	1,5%	3,7%	5,5%	0,7%
Median			16,2%	16,8%	12,7%	0,0%	0,0%	1,6%	3,3%	0,0%

Table 1 - Output OCI-data

Slightly above 98% of our sample, 62 companies, reported OCI for at least one of the years from 2009-2013 (Melker Schörling was the only company that did not report OCI during this period). Eight companies did not report OCI for all of the five years but at least for one of the years. The average OCI over net income for the entire population (almost 19%) did not substantially deviate from the median (16%). This implies that the dataset does not contain many outliers. The presented figure for average actuarial gains and losses on defined benefit plans of almost 4% of net income is potentially invalid due to the fact that the revised IAS 19 affected the way companies were required to report this item.

Regarding the individual items of OCI, gains and losses on hedging instruments was the most recurring item (59 companies reported this item for at least one of the years). However, gains and losses arising from translating the financial statements of a foreign operation (reported by 56 companies) constituted the largest portion contributing to total OCI across all industries. Furthermore, 51 companies reported actuarial gains and losses on defined benefit plans and 20 companies reported gains and losses on remeasuring available-for-sale financial assets. By far, the least recurring item was changes in revaluation surplus (reported by five companies).

In the financial sector there were two companies (Latour and Lundberg) that stood out from the rest of the sample. Compared to the other nine companies included in the sample these reported bigger amounts of OCI compared to net income (73,9% and 60,4%). This was largely explained by changes in revaluation surplus (Latour) and gains and losses on remeasuring available-for-sale financial assets (Lundberg).

Regarding the health care industry, five companies were included. However, only one company (Meda) substantially deviated from the others in regards of OCI over net income (41,6% compared to the health care industry average of 19,3%). This was seemingly explained by gains and losses on hedging instruments (26,1% compared to the health care industry average of 9,9%) and gains and losses arising from translating financial statements from a foreign operation (62,6% compared to the health care industry average of 22,3%).

The industry group that was categorized as industrial was the largest by number (26 observations) but the companies reported very similar results. Only one company (SSAB) could be classified as an outlier with OCI over net income of 116,2%. Two others (Stora Enso and SCA) reported figures substantially above the industry average (82,2% and 64,7%). Gains and losses arising from translating financial statements from a foreign operation explained the absolute majority of the three companies' high OCI-values.

Of the nine companies included in the real estate/construction industry, five are focused on investment properties whilst the other four are in the construction business. Overall, the latter group reported higher OCI/net income-ratios than the five companies focusing on investment properties. This was largely due to greater proportions of gains and losses arising from translating financial statements from foreign operations and gains and losses on hedging instruments.

In the retail sector, where five companies were included, the average actuarial gains and losses on defined benefit plans of 4,1% of net income deviates from the median of 0,6% due to one company (Electrolux). The company in question reported actuarial gains and losses on defined benefit plans of 180,7% and 36,6% of net income for 2013 and 2012 respectively.

The companies categorized as "other" reported differentiated OCI-figures which is possibly explained by the fact that the six companies included in this group originates from various industries (telecom, management consulting, security and media).

Regarding our screening of how OCI is mentioned in the annual reports, out of 63 companies, 48 were graded "one". These solely explained the standards controlling OCI and the most recent changes that have been made to the standard (revised IAS 1 and IAS 19 as two examples). This explanation was mainly presented in the notes as complementary information to the statement of CI. No further discussion or information was presented. Nine companies were graded “two” and reported somewhat more information regarding OCI and the items included. Little explanation of the items and how TCI had evolved over time was provided but again, the main part of the information was references to IAS or IFRS. This information was mainly presented in the notes. No discussion was provided outside the notes or the statement of CI. Out of the six remaining companies, two (where Melker Schörlig was one) did not provide any information at all and four (graded as “three”) had presented a brief analysis of the development of CI. The main factors affecting OCI were stated and some discussion was given regarding the size of the items included in OCI. However, although they presented more information regarding OCI than solely referring to the standards, the information was limited. No pattern was discovered regarding how the presentation differed between the industries.

4.1.2 Analysis: Pre-Study

The combination of the two key takeaways from our results (slightly more than 98% of our sample reported OCI, with a cross-industry average OCI over net income of almost 19% - but only roughly 6% of our sample presented somewhat more information than simply referring to the standard) is striking. In 59 companies’ financial reports, no discussion was presented regarding how future cash flows might be affected or what made OCI develop in a certain way. The producers of OCI seem to report as they are required to, but on the other hand, they do not seem to value presentation of more information than required regarding OCI.

Although we cannot determine whether the accounting producing entities in our sample perceive OCI as a useful concept or not based on our pre-study, we can determine that OCI is significantly occurring. More over, we were surprised by the limited information given on the separate items. As the ratios of the separate items are based on absolute numbers (as a company demonstrating negative OCI-items one year and positive the other, these would cancel out each other in an average), we found in our results that the individual items as a percentage of net income constituted a larger proportion in aggregate than the average OCI over net income - implying that some OCI-items were positive and others negative during this time period. If all items were negative, as an example, OCI as a percentage of net income would consequently be more substantial.

As some remeasurements are affected by certain macroeconomic factors, we also wanted to include a short section where we try to derive our results with explanatory factors. As an example, during the period of 2009-2013, the Swedish Krona appreciated towards both the Euro (22,7% during the period) and US Dollar (16,7% during the period) (see Appendix 5) which could be one reason why many of the companies we examined had reported a large OCI-item relating to foreign exchange rates (a large portion of the OCI-items during 2009-2013 are explained by the category “gains and losses arising from translating the financial statements of a foreign operation”).

Also, another important macroeconomic indicator that indirectly might impacts on our results could be the relatively low repo rate in Sweden in the aftermath of the 2008 financial crisis. During our time span of five years, the average yearly repo rate ranged between 0,51%-1,76% (which could be compared to the five prior year to 2009, where the average yearly repo rate ranged between 1,73%-4,14%) (see Appendix 6). There are a number of interesting aspects of the macroeconomic situation during the period that we examined. Although the repo rate was kept low, the inflation was on a historically low level during the period (and this is usually unified with lower expected profitability and slower price increases for the companies) - one could potentially expect enlargement of the pension liability for companies having defined benefit plans as they got lower return on their assets than the return they have promised to former employees. However, since the companies in our sample were only required to report these remeasurements from fiscal year of 2013 (and restate fiscal year 2012), we cannot draw any conclusions in regards to this analysis.

A final point would be to combine the macroeconomic factors described above with the stock market development during the period. With an approximate 15% compounded annual growth rate on the OMXSPI, one could potentially expect more substantial positive asset revaluations (and available-for-sale financial assets) than what we identified in the annual reports for the companies we examined. However, during the economic life of an asset, these macroeconomic factors should theoretically cancel out each other but the question then is if our five-year time span is long enough to see this effect as the years following the 2008 financial crisis have been exceptional in many ways described above.

4.2 Results and Analysis of Main Study

4.2.1 Result: Main Study

As previously mentioned, respondents were divided into stakeholder groups and the table below presents the distribution of respondents and the response rates across categories. Our result and analysis will be attributable to our focus category, companies.

Category	n observations	n of which answered Q19	% of total	n of which answered Q21	% of total
Accounting - association	29	25	86,2%	23	79,3%
Accounting - board/standard setter	33	27	81,8%	28	84,8%
Accounting - firm	16	12	75,0%	12	75,0%
Company	34	20	58,8%	21	61,8%
Individual	11	4	36,4%	3	27,3%
Specialized federation	92	49	53,3%	51	55,4%
University/Educational Institutions	26	14	53,8%	11	42,3%
Total	**241**	**151**		**149**	

Table 2 - Overview respondents and response rates - comment letters

Out of the 34 comment letters originated from companies, 18 ones (53% of the sample) had answered both of the questions, two ones had only answered question 19 and three ones solely question 21.

Regarding question 19, three primary views were identified:

- Agree. Believe that profit or loss should remain subtotal or total (17 companies hence 85% of the responses)
- Agree. Believe that profit or loss should retain as a total (one company)
- Believe OCI is an unclear concept (two companies)

The 17 companies arguing that profit or loss should remain subtotal or total have expressed views such as:

- Profit or loss is the best measure for management performance
- Profit or loss and OCI have different aims and should not be compared
- Profit or loss is widely accepted and used among users, something that OCI is not
- The division between profit or loss and OCI is not an issue of presentation but of concepts, the concepts should be developed and better defined
- Separating the recurring items from the non-recurring ones enables better analysis of performance
- Since no definition of performance exist, profit or loss should be separated from OCI since profit or loss, in practise, is the most used measure for performance

The one company arguing that profit or loss should retain as a total believes that profit or loss is the best measure for management performance.

One of the two companies arguing that OCI is an unclear concept states that it should be eliminated as a concept. Their suggestion is to abolish OCI and redesign the conceptual framework because the information presented in OCI is not understood and overlooked by users of financial information. The other company states that the division between net income and TCI is vague. They state that, for example, a sentence in the standard, stating that net income is the most important performance measure, should be added. If added, they believe the separating of net income and OCI would add value to users.

Regarding question 21, three primary views were expressed:
- Support the broad approach (15 companies hence 71% of the answers)
- Support the narrow approach (one company)
- Prefer a different approach than suggested in the discussion paper (two companies)
- Do not support any suggestion and present no alternative (three companies)

The fifteen companies supporting the broad approach have expressed views such:
- Some items should not affect profit or loss hence company valuation
- An individual standard, determining what items to be recycled, must be developed
- The broad approach allows flexibility to reflect specifics of business models in presentation so that profit or loss is as relevant as possible
- OCI should be abolished but if not, the broad approach is preferred

The one company preferring the narrow approach argues that the concept needs to be further developed to decide which items should be included in OCI.

One of the two companies preferring a different approach states that profit or loss should not be handled as a residual - it should instead be clearly defined. They do not support any of the suggestions presented in the discussion paper. They prefer a combination of the two alternatives. The other company states that the issue must be discussed and analysed further to reach a suitable solution for presentation of OCI.

Three companies report that they do not support any of the alternatives suggested in the discussion paper and an issue that one of these three respondents state is that the definitions of items in OCI are too vague to understand which value changes should be included in OCI. Another respondent argues that only those items not affecting performance should be reported in OCI and those items are the realized ones. The third company not supporting any of the suggestions mentions that the definition of "performance" is vague and that it should be clarified.

4.2.2 Analysis: Main Study

When analysing the comment letters originating from companies, we have tried to be critical when interpreting the responses as we did not have the opportunity to design questions that would in full support all aspects of our research question. Therefore, we present the main arguments from the observed comment letters and follow each such with an analysis.

4.2.3 Main Arguments Observed in Comment Letters

4.2.3.1 Profit or loss is considered the most important performance measure

Two respondents (comment letter #13 and #115 - see Appendix 3) strongly argue that profit or loss should be kept as *the* total in the financial statements. One of these respondents (comment letter #115) suggests the IASB to abolish OCI as a concept – with a stated argument that TCI does not provide a fair picture as it fluctuates to a larger extent than net income. Also, that TCI is not a representative figure of "*realisation of the asset or management's strategy or intent*" (comment letter #13) is a common argument towards the use of OCI as a comparable concept with net income. This is also something that is discussed in the article written by Rees and Shane (2012, 789-815). They suggest standard setters to, when defining earnings and OCI, to take into account what results from something that is within management control.

Generally, there seem to be concurrence among the respondents that profit or loss is the most important performance measure, thus should be remained as a total or subtotal. Even though, if markets were efficient, there would be no need to present a subtotal (Berk, J. and DeMarzo, P. 2011, 450) but however, research has shown that the presentation of TCI has an impact on users ability to interpret the information (Hirst, E. and Hopkins, P. 1998, 47-75 & Chambers, D. et. al. 2007, 557-559). Many respondents have used the same phrases as the IASB in their discussion paper, such as "*'profit or loss'* (…) *is deeply ingrained in the economy, business and investors' minds.*".

The IASB's view is that profit or loss is an important figure and consequently they believe that it should be remained as a total or subtotal measure. However, the IASB is unwilling to define "financial performance" due to their argument that "*all items recognised in the statement(s) of profit or loss and OCI provide some information about financial performance.* (…) *this Discussion Paper does not equate financial performance with either 'total comprehensive income' or 'profit or loss' or with any other total* (…)". Many respondents have commented upon this as something strange. Indubitably, it seems likely that a measure – such as profit or loss – that has been used over a long time period as "the bottom line" – is ingrained in the business community and investors' minds. However, without defining "financial performance" and by default require that profit or loss should be kept as a total or subtotal it could be interpreted that the IASB still consider profit or loss as the (sub)bottom line. Yet, defining a universal meaning for "financial performance" is a difficult task. This issue is also discussed by Hirst and Hopkins. They explain that there is a way for management to get around the standard, to present desirable results, but that a clear definition of accounting standards would prevent this (Hirst, E. and Hopkins, P. 1998, 47-75).

Although the IASB discusses several arguments in favour for not keeping profit or loss as a total or subtotal (such as focusing on profit or loss makes users of financial reports overlook OCI) the question regarding this issue is posed in a manner that we have interpreted it as the respondents have been forced to answer whether profit or loss is good or not. All respondents agreed in one way or another upon the IASB's view that profit or loss should be kept as a total or sub-total. Unfortunately, this does not tell us that OCI is lacking of significance or practical usefulness, however it does tell us that profit or loss is a seemingly perceived useful concept, which could partly be explained by the fact that it has been used as the "bottom line" in the statement for profit or loss for a long time period. Hirst and Hopkins even argue that investors fail to analyse information given outside profit or loss (Hirst, E. and Hopkins, P. 1998, 47-75).

4.2.3.2 "*Treating profit or loss as a 'default category' is wrong!*"

In the discussion paper, the IASB has chosen an approach to profit or loss which they state is a "default category-approach". That is, they have chosen to define what items could be recognised in OCI (and not those that could be recognised in profit or loss) and as a consequence they treat profit or loss as the “default category” (which they claim to be in line with current IFRS) (IASB 2013, 158).

Except for one respondent that states that “*profit or loss should be the default location* (…) *IFRS as a whole indirectly defines profit or loss by defining which transactions should be reported outside profit or loss*”, approximately half of those that responded question 19 have strongly opposed this. Glyn Parry, a director within group financial control at BT Group PLC, expressed a view that we believe is representative for many of those that opposed “the default category”, namely by stating:

“*We are not convinced about the appropriateness of the IASB’s general approach to OCI. We believe that in order to support the IASB’s conclusion on what items should be recognised as part of OCI, the IASB should first specify what items of expense and income should be recognised in the income statement. This should be achieved though a definition of performance and establishing that the income statement is the primary measure of an entity’s performance. We believe that the definition of performance should be closely linked to a company’s business model and the primary value-generating activities of the company*” (comment letter #146)

As touched upon in earlier, many respondents, Glyn Perry included, have indicated that the IASB should define performance. Again, this is something that has been discussed by Rees and Shane (2012, 789-815). However, when opposing profit or loss as the default category, many respondents argue that the IASB should establish the statement of profit or loss to be the primary source of information in regards of a company’s performance.

Even if the producers of OCI believe that the statement of profit or loss should be the *primary* source of information, it does not necessarily contradict that the information in OCI is not valuable. What it might just tell us is that producers of OCI believe that OCI provides a *secondary* source of information. This would also be in line with the IASB’s view that both profit or loss and OCI provide some information in regards of the entity’s performance (IASB 2013, 154). However, this somehow contradicts to what Godfrey. et. al. (2010, 429) concluded - that there is a trend towards a single bottom line including all relevant information.

4.2.3.3 By separating OCI into items that may be reclassified to profit or loss and items that will not be reclassified, producers of OCI believe they will achieve the fairest presentation

Out of the 21 respondents that answered question 21, 15 clearly stated that they prefer approach 2B. That is, more than 70% of these respondents seem to appreciate the current technique on how to report OCI. Unfortunately, we were not able to attain as exhaustive answers as originally hoped - the absolute majority out of the 70% "agreed" without any reasoning - this makes us unable to draw accurate conclusions. The comments were rather indistinct, such as proposing the IASB to rephrase certain items to give one example.

However, several respondents expressed that by using a broader approach, there will be greater flexibility (the word "flexibility" was used in numerous comment letters) which also allows for certain value changes, such as actuarial gains and losses, to be held outside the statement of profit or loss. As this does not contradict with the current standard, one may interpret that producers are satisfied with the current presentation of OCI. However, we cannot conclude that this is the reality. To exemplify: the one respondent that stated that they thought OCI as a concept should be eliminated and "*think*[s] *the solution is to fundamentally rethink the structure of the profit or loss statement and to abolish the OCI*", still agrees that the broad approach is preferable. That is, in this specific comment letter, the broad approach seemed like the preferred approach - when actually they believe that OCI as a concept should be abolished.

5 Final Discussion

In our last section of this study, we will present our conclusions and include a short critical discussion on generalizability, reliability and validity. The last part includes suggestions for future research.

5.1 Conclusions

The aim with this study was to examine the perceived usefulness of OCI by answering our overall research question: *do accounting producing entities perceive OCI as a useful concept in practise?* As a first step, we conducted a pre-study where we wanted to examine to which extent OCI was occurring in Swedish large cap companies, and how these entities provided information upon OCI. Our sub-research question (*is OCI significantly occurring in Swedish large cap companies?*) was only applicable on the pre-study.

We can conclude that OCI is significantly occurring, seen to listed Swedish large cap companies, where slightly more than 98% of our sample reported OCI during the time period, with a cross-industry average OCI over net income of almost 19%. However, the absolute majority of these companies did not present much information regarding how OCI has evolved over time or what factors that have affected the figures. Despite the amount of companies using the concept, and the proportions of net income OCI constitutes, it seems that companies do not value to present any analysis of it. Either, the companies consciously minimize the information given about OCI or alternatively, they do not believe OCI is a concept that needs to be highlighted. If the second reason is true, one might assume that the companies do not believe that investors would benefit from the information or; they are dealing with accounting shenanigans. These two explanations are aligned with previous research. Unfortunately, although the results are clear, a solid conclusion regarding the usefulness of OCI cannot be drawn solely based on our pre-study.

When turning to the the main study, we were able to formulate a couple of main arguments represented in our comment letter sample. However, we had expected more explicit arguments regarding OCI to enable us to understand their perception of the concept. What we can conclude is that the accounting producing entities in our sample believe that profit or loss is an important measure - this however does not directly imply that TCI is not relevant or useful (it could potentially just be perceived as a different - or additional - story of financial performance). In addition, we faced the problem of silent evidence as a substantial amount of companies did not respond to the questions of our interest. This can be analyzed in a number of ways, however we cannot conclude that the absence of their responses equals a negative, positive or neutral attitude towards OCI. Our key takeaway from the main study is that although some companies seem to disagree with certain parts of the concept, or express that certain parts are unclear, it does not necessarily translates into a negative attitude towards OCI.

Consequently, we cannot answer our overall research question regarding the practical usefulness of OCI. However, we hope that our study has given insight to the complexity of the concept.

5.2 Generalizability

Below follows a brief discussion regarding generalizability, that is to which extent our findings could be applicable to the entire population.

All listed European companies are required to follow IFRS, hence the standard controlling OCI. However, our pre-study sample only consisted of large cap companies listed on the Stockholm stock exchange. This, combined with the fact that this study solely covers the years from 2009-20013, makes generalizability among all companies required to follow IFRS impossible. Also, we found that gains and losses arising from translating the financial statements of a foreign operation constituted a large portion of total OCI in many companies in our sample, potentially this might look very different for small and mid cap companies (both in Sweden and elsewhere), depending on their organizational structures and global presence. Nevertheless, our sample includes 63 out of the 65 large cap companies in Sweden which to some extent could indicate how the situation is among IFRS-reporting companies.

Regarding the main study, our sample consisted of comment letters originating from (what we classified as) “companies”. Entire generalizability would imply that the results were applicable on all companies following IFRS. This is not possible since, obviously, the companies included in our sample do not represent all companies following IFRS there are - as shown in Appendix 3 not even all industries are represented. One might even question why these specific companies chose to comment on the discussion paper; there is a potential risk that the sample’s answers bias the entire population’s views - which further unables generalizability.

5.3 Reliability

Below follows a brief discussion regarding reliability, that is the potential sources of error that might have affected our results.

Regarding the pre-study, we see no reason to question the reliability of the recorded OCI-items since firstly, data is taken from annual reports which are credent sources and secondly, a residual formula has been used to secure correct recording. However, as been mentioned in our section regarding data collection, a potential source of error is how one chooses to handle the tax regarding OCI-items when this information has not been disclosed. As we used a standard tax rate and used the same method consistently throughout our data set, we would argue that the data is reliable; the same results would be achieved if someone else would carry out our pre-study again.

Regarding the main study, there is a substantial risk, if it would be replicated, that the comment letters would be interpreted in another way - which is always the risk with a qualitative study. With this in mind, we were very careful when identifying main arguments - we strongly believe that if anyone else would screen and analyse the same comment letters they would identify each and every argument we have stated in our result and analysis. A potential source of error, however, is how one chooses to categorize the comment letters and there is a potential risk that, in the manual process of categorizing 241 comment letters, we have miscategorised a comment letter.

5.4 Validity

Below follows a brief discussion regarding validity, that is if our research method enables us to answer our research question in a reliable way.

The figures in our pre-study reflect the reported numbers in the annual reports and no biased interpretation has been made into those recorded numbers - they are true reflection of reality. However, due to the fact that revised IAS 19 (implemented 2013) changed the reporting format of actuarial gains and losses on defined benefit plans in OCI - one may question our methodology to use averages during a five year time span. Nevertheless, we considered it more appropriate to include this item than to exclude it completely from our result and analysis.

The comments to the discussion paper are written by the companies themselves hence they are a true reflection of reality. However, there are a number of potential invalidities with the main study. First and foremost, as the questions asked in the discussion paper were not directly connected to our research question (although they concerned OCI). Secondly, we faced the problem of silent evidence as a large proportion of our sample did not answer the questions we were interested in analysing - as the discussion paper concerned multiple areas of accounting related issues and some respondents only focused on a specific section in their answers. This might imply that the companies from our sample that *did* answer might not demonstrate a true reflection of the real world of all IFRS-reporting companies. This lack of validity raises questions of credibility. Why we considered our approach appropriate was due to the fact that the IASB originally identified a need to discuss OCI - and they aimed to collect comments on the perceived problems. As this was in line with our overall aim we expected the comment letters to be a reliable source of information to our study.

5.5 Future Research

One potential intriguing research path could be to further develop upon the study we conducted - but in a direction that is more valuation-related. That is, taking an investor perspective on the practical usefulness of OCI. As some of the value changes in OCI eventually recycles into the statement of profit or loss and thus affects the valuation of the company, we would like to encourage a study based on analyzing the yearly amounts of recycled OCI-items and try to conclude if (and if, then how) investment analysts account for this in their valuation. A comparable example would be revaluation-items that are not usually included in the valuation per se as they are not pure cash flows, however if there is a historical pattern that would be anticipated to continue to be similar in the future, then the investment analyst would use that information when determining future growth rates, as an example. Potentially, this could be the valuation-approach to OCI-items, that recycles above the EBIT-line, in the future too.

We believe that OCI as a concept - and more specifically recycling as a practise that has only been effective one fiscal year (2013) - has potentially not yet been around for the time needed to be implemented in investment analysts' minds. Whether or not this is due to the fact that people yet not understand OCI fully or not, we leave unsaid.

By taking an investor perspective and analyse if/how the (recycled) OCI-items affect the investment analysts' valuation, one may more easily be able to draw a conclusion on the practical usefulness of OCI. There is yet very little (if any?) research available on this topic.

References

Alexander, D. and Nobes, C. 2010. *Financial accounting: an international introduction*. 4th ed. Harlow, Essex, England

Atrill, P. and McLaney, E. 2013. *Financial accounting for decision makers*. 7th edition. Pearson

Berk, J. and DeMarzo, P. 2011. *Corporate Finance*. 2nd edition. Harlow, England

Chambers, D., Linsmeier, T., Shakespeare, C. and Sougiannis, T. 2007. An Evaluation of SFAS No. 130 Comprehensive Income Disclosures. *Review of Accounting Studies* 12: 557-559

Eaton, T. V., Easterday, K. E. and Rhodes, M. R. 2013. The Presentation of Other Comprehensive Income. *The CPA Journal* 83 (3)*:* 32-35

Dhaliwal, D., Subramanyam, K. R. and Trezevant, R. 1999. Is comprehensive income superior to net income as a measure of firm performance? *Journal of Accounting and Economics 26 (1-3): 43-67*

Elo, S., Kääriäinen, M., Kanste, O., Pölkki, T., Utriainen, K. and Kyngäs, H. 2014. Qualitative Content Analysis: A Focus on Trustworthiness. *SAGE Journals*: 1-11

EY. 2012. IFRS Update of standards and interpretations in issue at 30 September 2012. *EY*. http://www.ey.com/Publication/vwLUAssets/IFRS_Core_Tools_-_IFRS_Update/$FILE/CTools_Update_Oct2012.pdf (2014-04-12)

FAR. 2013a. RevU 12 Övergång till finansiell rapportering enligt IFRS. *FAR*. http://www.faronline.se.ez.hhs.se/Dokument/R/REVU0012/?query=RevU+12 (2014-04-20)

FAR. 2013b. Aktuell Redovisningsinformation nr. 1/2003. *FAR*. http://www.faronline.se.ez.hhs.se/Dokument/Skatteverket/Aktuell-redovisningsinformation/SKVAKTREDINF20030001/?query=FASB (2014-03-25)

FAR. 2013c. RR 5 Redovisning av byte av redovisningsprincip. *FAR*. http://www.faronline.se.ez.hhs.se/Dokument/R/RR05/?query=kongruensprincipen (2014-03-25)

Godfrey, J., Hodgson, A., Tarca, A., Hamilton, J. and Holmes, S. 2010. *Accounting Theory*. 7th ed. Chichester

Harwood, T. G. and Garry, T. 2003. An Overview of Content Analysis. *The Marketing Review* (3): 479-498

Hirst, E. and Hopkins, P. 1998. Comprehensive Income Reporting and Analysts' Valuation Judgments. *Journal of Accounting Research* 36: 47-75

IAS 1, 12, 16, 19, 21, 38, 39

IASB. 2011a. IASB launches a public consultation on its future work programme. *IASB*. http://www.ifrs.org/News/Press-Releases/Pages/agenda-consultation-July-2011.asp (2014-05-01)

IASB. 2011b. IAS 1 Presentation of Financial Statements. *IASB*. http://www.ifrs.org/Current-Projects/IASB-Projects/Financial-Statement-Presentation/Phase-B-OCI/IAS-1-Presentation-of-Financial-Statements/Pages/IAS-1-Presentation-of-Financial-Statements.aspx (2014-04-15)

IASB. 2013. A review of the Conceptual Framework for Financial Reporting. *IASB.* http://www.ifrs.org/Current-Projects/IASB-Projects/Conceptual-Framework/Discussion-Paper-July-2013/Documents/Discussion-Paper-Conceptual-Framework-July-2013.pdf (2014-04-13)

Levitt, A. 1998. The importance of high quality accounting standards. *Accounting Horizons* 12 (1): 79-82

Luecke, R. W. and Meeting, D. T. 1998. How companies report income. *Journal of Accountancy* 185 (5): 45

Lönnqvist, R. 2012. *Årsredovisning i koncerner*. 6th edition. Lund

Maines, L. and McDaniel, S. 2000. Effects of comprehensive-income characteristics on nonprofessional investors' judgment: the role of Financial-statement Presentation Format. *The Accounting Review* 75 (2): 179

Rees, L. L. and Shane, P. B. 2012. Academic research and standard-setting: the case of other comprehensive income. *Accounting Horizons* 26 (4): 789-815

Schroeder, R. G., Clark, M. W. and Cathey, J. M. 2005. *Financial accounting theory and analysis: text readings and cases*. 8 ed. Hoboken, N.J.

Skatteverket. 2013. Svar på vanliga frågor. Belopp och procentsatser. *Skatteverket*. http://www.skatteverket.se/foretagorganisationer/sjalvservice/svarpavanligafragor/beloppochprocentsatser/foretagbeloppfaq/hurmycketbetalaraktiebolagekonomiskaforeningarideellaforeningarochstiftelseriinkomstskatt.5.18e1b10334ebe8bc8000118066.html (2014-05-03)

Smith, B. P. 2010. *Introductory Financial Accounting*. Berkshire, England

Smith, P. A and Reither, C. L. 1996. Comprehensive Income and the Effect of Reporting It. *Financial Analysts Journal* 52 (6): 14-19

Wang, R. C. 2009. Accounting harmonization and the value-relevance of dirty surplus accounting flows. *Review of Accounting and Finance* 8 (4): 343-344

White, G. I., Sondhi, A. C. and Fried, D. 2003. *The Analysis and Use of Financial Statements*. 3rd ed. USA: John Wiley

Appendix

Appendix 1 – Sample: Pre-Study

Company	Industry	Time period
AarhusKarlshamn	Industrial	2009-2013
Alfa Laval	Industrial	2009-2013
Assa Abloy	Industrial	2009-2013
AstraZeneca	Health care	2009-2013
Atlas Copco	Industrial	2009-2013
Atrium Ljungberg	Real Estate/Construction	2009-2013
Axfood	Retail	2009-2013
Axis	Industrial	2009-2013
BillerudKorsnäs	Industrial	2009-2013
Boliden	Industrial	2009-2013
Castellum	Real Estate/Construction	2009-2013
Electrolux	Retail	2009-2013
Elekta	Health care	2009-2013
EnQuest	Industrial	2009-2013
Ericsson	Industrial	2009-2013
Fabege	Real Estate/Construction	2009-2013
Getinge	Health care	2009-2013
Handelsbanken	Financial	2009-2013
Hennes & Mauritz	Retail	2009-2013
Hexagon	Industrial	2009-2013
Hexpol	Industrial	2009-2013
Holmen	Industrial	2009-2013
Hufvudstaden	Real Estate/Construction	2009-2013
Husqvarna	Industrial	2009-2013
ICA Gruppen	Retail	2009-2013
Industrivärlden	Financial	2009-2013
Intrum Justitia	Financial	2009-2013
Investor	Financial	2009-2013
JM	Real Estate/Construction	2009-2013
Kinnevik	Financial	2009-2013
Latour	Financial	2009-2013
Lundberg	Financial	2009-2013
Lundin Mining	Industrial	2009-2013
Lundin Petroleum	Industrial	2009-2013
Meda	Health care	2009-2013
Melker Schörling	Financial	2009-2013
Millicom International	Other	2009-2013
MTG	Other	2009-2013
NCC	Real Estate/Construction	2009-2013
Nibe Industrier	Industrial	2009-2013
Nordea Bank	Financial	2009-2013
Oriflame Cosmetics	Retail	2009-2013
Peab	Real Estate/Construction	2009-2013
Ratos	Financial	2009-2013
SAAB	Industrial	2009-2013
Sandvik	Industrial	2009-2013
SCA	Industrial	2009-2013
Scania	Industrial	2009-2013
SEB	Financial	2009-2013
Securitas	Other	2009-2013
Skanska	Real Estate/Construction	2009-2013
SKF	Industrial	2009-2013
SSAB	Industrial	2009-2013
Stora Enso	Industrial	2009-2013
Swedbank	Financial	2009-2013
Swedish Match	Industrial	2009-2013
Swedish Orphan Biovitrum	Health care	2009-2013
Tele2	Other	2009-2013
TeliaSonera	Other	2009-2013
Tieto	Other	2009-2013
Trelleborg	Industrial	2009-2013
Volvo	Industrial	2009-2013
Wallenstam	Real Estate/Construction	2009-2013

Appendix 2 – Output: Pre-Study per Company

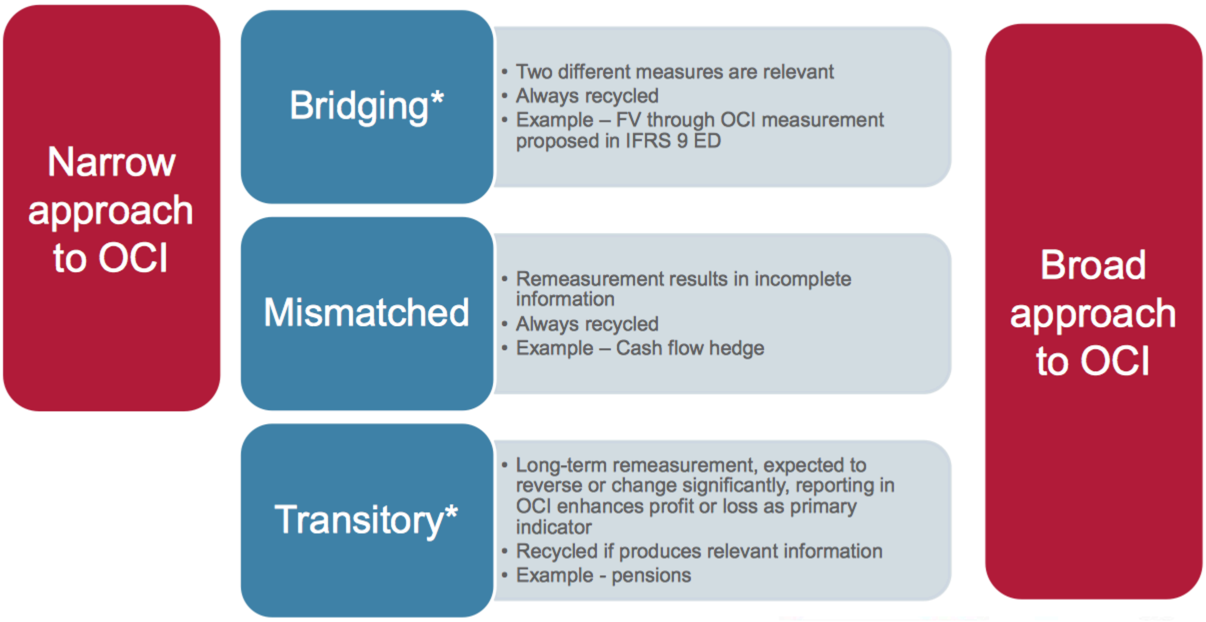
Industry	Company	OCI/NI	OCI/TCI	G&L transl. foregin/NI	G&L remeas AFSFA/NI	Ch revaluation/NI	Actuarial G&L DFB/NI	G&L hedges/NI	OCI in ass./NI
Financial	Handelsbanken	14,7%	13,7%	5,0%	9,9%	0,0%	5,0%	7,4%	0,0%
Financial	Industrivärlden	0,3%	0,3%	0,0%	0,0%	0,0%	0,1%	0,3%	0,0%
Financial	Intrum Justitia	7,5%	7,9%	15,8%	0,0%	0,0%	0,1%	8,4%	0,0%
Financial	Investor	1,6%	1,6%	1,1%	0,0%	0,3%	0,2%	1,3%	0,4%
Financial	Kinnevik	0,4%	0,4%	0,3%	0,0%	0,0%	0,0%	0,5%	0,0%
Financial	Latour	73,9%	43,4%	3,3%	0,0%	102,3%	0,1%	1,1%	27,2%
Financial	Lundberg	60,4%	48,1%	4,6%	56,2%	0,0%	1,2%	8,8%	1,4%
Financial	Melker Schörling	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Financial	Nordea Bank	12,5%	11,9%	20,9%	0,6%	0,0%	2,7%	11,0%	0,0%
Financial	Ratos	28,2%	37,7%	29,6%	0,0%	0,0%	1,0%	3,7%	0,0%
Financial	SEB	26,8%	25,4%	10,1%	12,6%	1,2%	15,6%	11,4%	0,0%
Financial	Swedbank	15,6%	15,4%	19,3%	0,0%	0,0%	5,4%	9,9%	0,3%
Average		**20,2%**	**17,1%**	**9,2%**	**6,6%**	**8,7%**	**2,6%**	**5,3%**	**2,4%**
Median		**13,6%**	**12,8%**	**4,8%**	**0,0%**	**0,0%**	**0,6%**	**5,6%**	**0,0%**
Health care	AstraZeneca	2,2%	2,3%	2,2%	0,4%	0,0%	3,2%	0,5%	0,0%
Health care	Elekta	21,7%	22,8%	26,0%	0,0%	0,0%	0,6%	4,5%	0,0%
Health care	Getinge	26,7%	32,3%	18,9%	0,0%	0,0%	7,0%	15,6%	0,0%
Health care	Meda	41,6%	59,3%	62,6%	0,0%	0,0%	4,4%	26,1%	0,0%
Health care	Swedish Orphan Biovitrum	4,3%	4,3%	2,0%	0,0%	0,0%	0,6%	2,6%	0,0%
Average		**19,3%**	**24,2%**	**22,3%**	**0,1%**	**0,0%**	**3,2%**	**9,9%**	**0,0%**
Median		**21,7%**	**22,8%**	**18,9%**	**0,0%**	**0,0%**	**3,2%**	**4,5%**	**0,0%**
Industrial	AarhusKarlshamn	15,7%	18,6%	15,3%	0,0%	0,0%	0,2%	1,2%	0,0%
Industrial	Alfa Laval	13,1%	14,7%	13,0%	0,0%	0,0%	2,6%	5,6%	0,0%
Industrial	Assa Abloy	17,4%	19,7%	17,1%	0,0%	0,0%	1,3%	1,6%	0,7%
Industrial	Atlas Copco	11,3%	12,6%	16,7%	0,9%	0,0%	0,7%	6,6%	0,1%
Industrial	Axis	2,9%	2,9%	1,4%	0,0%	0,0%	0,0%	2,1%	0,0%
Industrial	BillerudKorsnäs	20,0%	18,3%	4,9%	1,8%	0,0%	2,6%	13,3%	0,0%
Industrial	Boliden	25,5%	30,4%	9,0%	0,0%	0,0%	1,4%	17,6%	0,0%
Industrial	EnQuest	3,9%	3,8%	0,0%	0,0%	0,0%	0,0%	4,1%	0,0%
Industrial	Ericsson	26,7%	35,3%	25,5%	0,0%	0,0%	23,8%	11,5%	2,1%
Industrial	Hexagon	34,9%	42,0%	38,0%	0,0%	0,0%	0,5%	7,6%	0,4%
Industrial	Hexpol	13,9%	15,8%	14,8%	0,0%	0,0%	0,1%	0,9%	0,0%
Industrial	Holmen	19,9%	19,1%	13,7%	0,0%	0,0%	3,6%	26,2%	0,0%
Industrial	Husqvarna	35,5%	33,0%	31,8%	4,8%	0,0%	0,3%	0,0%	0,0%
Industrial	Lundin Mining	20,6%	22,4%	17,8%	9,5%	0,0%	0,0%	3,3%	0,0%
Industrial	Lundin Petroleum	19,1%	22,3%	28,3%	0,0%	0,0%	2,4%	11,8%	0,2%
Industrial	Nibe Industrier	50,2%	39,8%	10,6%	0,0%	0,0%	22,4%	30,3%	1,0%
Industrial	SAAB	21,4%	25,2%	17,6%	0,0%	0,0%	6,1%	5,5%	0,0%
Industrial	Sandvik	64,7%	74,1%	64,0%	5,4%	0,0%	31,0%	30,5%	0,0%
Industrial	SCA	22,3%	24,4%	13,0%	0,0%	0,0%	6,9%	6,9%	0,0%
Industrial	Scania	38,4%	59,0%	21,9%	2,3%	0,0%	19,4%	2,2%	0,0%
Industrial	SKF	116,2%	62,1%	151,8%	0,0%	0,0%	0,6%	35,4%	0,9%
Industrial	SSAB	82,2%	99,0%	54,8%	22,5%	0,0%	12,5%	14,8%	0,6%
Industrial	Stora Enso	8,6%	9,2%	5,9%	0,0%	0,0%	4,6%	0,9%	2,6%
Industrial	Swedish Match	32,3%	46,0%	53,3%	0,0%	0,0%	0,6%	23,6%	0,0%
Industrial	Trelleborg	24,3%	28,8%	19,4%	1,8%	0,0%	10,4%	4,5%	0,6%
Average		**29,6%**	**31,2%**	**26,4%**	**2,0%**	**0,0%**	**6,2%**	**10,7%**	**0,4%**
Median		**21,4%**	**24,4%**	**17,1%**	**0,0%**	**0,0%**	**2,4%**	**6,6%**	**0,0%**
Other	Millicom International	30,1%	33,1%	29,4%	0,0%	0,0%	0,7%	0,7%	0,0%
Other	MTG	35,9%	55,7%	37,6%	0,1%	0,0%	4,5%	0,5%	0,8%
Other	Securitas	26,5%	25,1%	27,9%	0,0%	0,0%	6,2%	2,2%	0,0%
Other	Tele2	4,9%	5,2%	4,9%	0,0%	0,0%	0,0%	0,4%	0,0%
Other	TeliaSonera	20,5%	20,8%	21,9%	0,2%	0,0%	0,0%	0,9%	3,0%
Other	Tieto	30,1%	42,9%	33,8%	0,0%	0,0%	8,1%	10,8%	0,0%
Average		**24,7%**	**30,5%**	**25,9%**	**0,1%**	**0,0%**	**3,3%**	**2,6%**	**0,6%**
Median		**28,3%**	**29,1%**	**28,6%**	**0,0%**	**0,0%**	**2,6%**	**0,8%**	**0,0%**
Real Estate/Construction	Atrium Ljungberg	6,5%	6,5%	0,0%	0,0%	0,0%	0,0%	6,4%	0,0%
Real Estate/Construction	Castellum	0,1%	0,1%	0,4%	0,0%	0,0%	0,0%	0,2%	0,0%
Real Estate/Construction	Fabege	0,4%	0,4%	0,0%	0,0%	0,0%	0,4%	0,0%	0,0%
Real Estate/Construction	Hufvudstaden	0,4%	0,4%	0,0%	0,0%	0,0%	0,0%	0,4%	0,0%
Real Estate/Construction	JM	5,6%	5,8%	5,2%	0,0%	0,0%	2,6%	0,0%	0,0%
Real Estate/Construction	NCC	8,0%	8,4%	4,4%	0,0%	0,0%	3,7%	1,1%	0,0%
Real Estate/Construction	Peab	17,1%	18,2%	7,9%	2,1%	0,0%	0,2%	10,6%	0,1%
Real Estate/Construction	Skanska	27,4%	34,6%	16,6%	0,0%	0,0%	19,0%	9,7%	0,1%
Real Estate/Construction	Wallenstam	3,7%	3,6%	0,1%	0,5%	0,0%	0,0%	3,2%	0,0%
Average		**7,7%**	**8,7%**	**3,9%**	**0,3%**	**0,0%**	**2,9%**	**3,5%**	**0,0%**
Median		**5,6%**	**5,8%**	**0,4%**	**0,0%**	**0,0%**	**0,2%**	**1,1%**	**0,0%**
Retail	Axfood	0,7%	0,7%	0,0%	0,2%	0,0%	0,6%	0,0%	0,0%
Retail	Electrolux	37,3%	59,5%	40,6%	2,8%	0,0%	17,8%	2,9%	0,0%
Retail	Hennes & Mauritz	4,2%	4,3%	4,5%	0,0%	0,0%	0,0%	1,3%	0,0%
Retail	ICA Gruppen	6,5%	6,1%	6,5%	0,0%	0,5%	2,0%	0,5%	2,6%
Retail	Oriflame Cosmetics	11,7%	12,2%	12,3%	0,0%	0,2%	0,0%	1,2%	0,0%
Average		**12,1%**	**16,6%**	**12,8%**	**0,6%**	**0,1%**	**4,1%**	**1,2%**	**0,5%**
Median		**6,5%**	**6,1%**	**6,5%**	**0,0%**	**0,0%**	**0,6%**	**1,2%**	**0,0%**

Appendix 3 – Sample: Main Study

Comment letter #	Submitter	Organization	Industry
8	Venkatesh Srinivasan	Al Hosn Gas	Industrial
13	Anna Davis	Landcorp Farming Limited	Industrial
14	Bjoern Schneider	The Linde Group	Industrial
30	Fernando Amaral	Ágora Incorporações	Real Estate
38	Lise Croteau	Hydro-Québec	Industrial
39	James Halliwell	Syngenta	Industrial
49	Charl Steyn	British American Tobacco	Retail
52	Edward Beale	City Group	Financial
64	Delwin Witthöft	Rio Tinto	Industrial
65	As Listed	Members of Japanese Companies	Retail
71	Raj Juta	American International Corporation	Financial
77	Volker Christ	Freudenberg & Co. KG	Other
95	Emilio Linares-Rivas	Repsol	Industrial
102	Michael Tovey	UBS	Financial
105	Paul Morshuis	Shell International BV	Industrial
114	Lars Machenil	BNP PARIBAS	Financial
115	Jesper Cramon	A.P. Moller - Maersk Group	Industrial
118	Guido Bichisao	European Investment Bank	Financial
121	Christian Krämer	KfW Bankengruppe	Financial
130	Catherine Vandenborre	Elia System Operator	Industrial
131	Jean-Luc Vanderbroek	Fluxys Belgium	Industrial
132	David Termont	Eandis	Industrial
133	Dominique Offergeld	Ores SCRL	Industrial
135	Guy R Judd	Standard Life Investments	Financial
144	Gregg Nelson	IBM	Other
145	Jorge Andrade Costa	Banco Bradesco	Financial
146	Glyn Parry	BT Group plc	Other
156	Vaishali P. Koparkar	Larsen & Toubro Ltd	Industrial
172	Richard F. McMahon	Edison Electric Institute	Industrial
183	Karin Dohm	Deutsche Bank AG	Financial
185	Marcos Menezes	Petrobras	Industrial
197	Susanne Kanngiesser	Allianz	Financial
219	Roger Harrington	BP p.l.c.	Industrial
240	Emmanuelle Cordano	Sanofi	Health Care

Appendix 4 – Broad and Narrow Approach to OCI

Illustration found in "*IFRS Agenda Paper 6 - Global Preparers Forum Meeting; Profit or loss, OCI and recycling*" from November 2013:



Appendix 5 – Exchange Rates

Source: Riksbanken

	1 SEK = ? EUR Average	1 EUR = ? SEK Average	1 SEK = ? USD Average	1 USD = ? SEK Average
2009	0,0943	10,6213	0,1316	7,6457
2010	0,1049	9,5413	0,1391	7,2049
2011	0,1107	9,0335	0,1541	6,4969
2012	0,1149	8,7053	0,1477	6,7754
2013	0,1157	8,6494	0,1536	6,514

Appendix 6 – Repo Rates in Sweden

Source: Riksbanken

Riksbank key interest rates Period	Repo rate Average
2004	2,1591
2005	1,7312
2006	2,2052
2007	3,459
2008	4,1429
2009	0,6534
2010	0,5059
2011	1,7599
2012	1,456
2013	0,994