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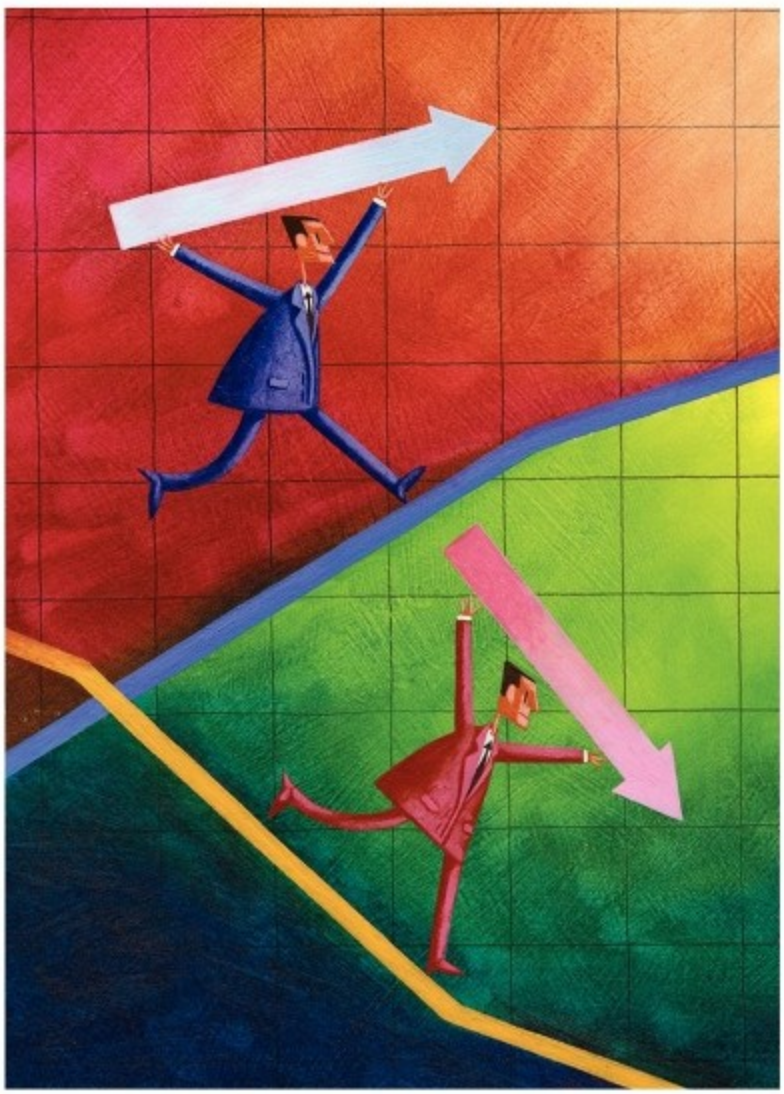
Returning the Relevancy of the P&L

A Proposed Model

By Ehud Lurie and Shlomi Shuv



Profit and loss (P&L) statements have always been significant for most reporting entities as the basis for evaluating the ability to generate future profits. This is evidenced by the various earnings multipliers that are often used in appraising companies and determining acquisition prices. Executive pay is often based on performance measured by the P&L. Performance under financial covenants and financial ratings relies on current profitability ratios. In addition, a company's P&L is the report most reviewed and examined by investors, credit providers, analysts, and the financial press. Although there have been many changes in performance measurement during the past few years, such as comprehensive income reporting, earnings per share continues to be calculated on the basis of net profit (loss) and likely will in the future.

The P&L is crucial to maintaining the public's trust in financial reporting. Any harm to the relevancy of the P&L would lead to a search for alternative solutions through various economic reports and non-GAAP adjustments.

The Rise of OCI

Over the past decades, the accounting profession began to use other comprehensive income (OCI) as a tool for deferring the recognition of certain profits and losses. Although many years have passed since the first use of OCI, no one has dealt with a conceptual framework to differentiate cases in which items are to be recognized in the P&L or deferred to OCI. In recent years, new items are often added to OCI sporadically and without a structured methodology.

International Financial Reporting Standards (IFRS) have brought about a new phenomenon: Income and expenses are charged through OCI to equity and are not included in a future P&L. This represents a growing trend at the International Accounting Standards Board (IASB), the standards setter for IFRS. The only case in the past that used this unusual categorization was the revaluation of fixed assets. According to International Accounting Standard (IAS) 16, *Property, Plant and Equipment*, the revaluation model requires differences in the revaluation of fixed assets to be charged directly to equity, without recycling them to the P&L. Although the theoretical basis for this treatment was not provided in the past, one can assume that the capital reserve, derived from the capital preservation concept, does not recognize the revaluation of fixed assets as profit—unlike the financial capital concept, established in the Conceptual Framework. Accountants should

keep in mind, however, that the revaluation model is very problematic and, therefore, rarely implemented by companies when they adopt IFRS.

Recent examples of this trend toward OCI can be seen in the following areas:

Actuarial profits or losses. According to IAS 19, *Employee Benefits*, entities can choose an accounting policy wherein imputed actuarial profits or losses are classified from retained earnings to OCI without recycling through the P&L. A proposed amendment to IAS 19 would make this accounting policy mandatory.

Measurement of financial assets. The recently published IFRS 9, *Financial Instruments*, allows entities to select an accounting policy whereby the investment in equity instruments may be measured at fair value and changes in fair value (except for dividends) are recorded to OCI without recycling through the P&L.

Credit risk. In accordance with the proposal for a new financial instruments standard, measurement of financial liabilities at fair value on the P&L will result in the interest component being charged to OCI, and it will not be recycled to the P&L in case of early extinguishment in the future.

In view of changes in the recently released IFRS for Small and Medium-sized Entities (SMEs)—which predict changes that will be adopted in full IFRS in the future—one can get a hint of this new nonrecycling trend. As published, IFRS for SMEs stipulates that translation differences accumulated from the translation of foreign operations will not be recycled to the P&L upon the realization of foreign activities, as opposed to the rule under IAS 21, *The Effects of Changes in Foreign Exchange Rates.*

One possible solution to the problem that several items are recycled to the P&L and some are not is seemingly included in the proposed amendment to IAS 1, *Presentation of Financial Statements*, published in May 2010. According to the proposal, there will be one statement of comprehensive income under a new title—"statement of profit or loss and other comprehensive income"—which will include both P&L and OCI. According to this proposal, the report will distinguish between items that are recycled to the P&L and items that are not recycled.

This solution is only cosmetic and avoids the real problem: There is no conceptual framework for today's OCI accounting, thereby creating inconsistencies where accounting standards require the recycling of OCI items to P&L when realized. Examples include translation differences for foreign activities, results of hedges of foreign investments, and the effective portion of the change in fair value of hedged cash flows and financial assets available for sale. Moreover, according to IFRS 9, an entity may choose different accounting policies for different investment items, so that even the reporting entity's financial statements may lack consistency in the accounting treatment of identical items.

The IASB and FASB Moving Apart on OCI

The trend of the IASB's thinking on this conceptual problem is creating a growing gap between IFRS and U.S. GAAP, in contradiction to the convergence process. It is important to emphasize that it is FASB policy to require recycling to the P&L of all the sums that are eventually charged to OCI. A recent example of this is the proposal for a new financial instruments standard. Contrary to IFRS 9, the FASB proposal calls for the recycling from OCI to the P&L of profits or losses upon the realization of financial instruments, as well as the recycling of different issuing costs of financial assets during the life of the instrument as an adjustment to the yield of the instrument.

Those affected include not only the direct users of the financial statements (shareholders and credit providers), but also indirect users for such purposes as corporate law requirements (in connection with distributable earnings as dividends), tax authorities, and others. One should not underestimate the difficulties resulting from relying on accounting rules for the distribution of dividends and the relationship that sometimes exists between shareholders and creditors.

The authors offer an alternative model, detailed below, that includes a structured methodology and creates a distinction between realized and unrealized income and expenses on the basis of the assets and liabilities from which they derive. According to the authors' model, changes in the fair value of nonfinancial assets and liabilities and specific financial instruments will be charged to OCI and will be recycled to the P&L upon realization. As a result, retained earnings would represent realized profits.

Our model does not refer to measurement issues but only to recognition and presentation issues. It may improve dealing with measurement issues, however. For example, the model may assist in measuring financial liabilities at fair value by including changes in their fair value arising from changes in the issuer's credit quality (risk) in the statement of the financial position, but not in net profit (or loss), as explained below.

The following are examples of transactions that, under the proposed model, would be charged to OCI:

- Changes in fair value of investment property would be charged to OCI and recycled to the P&L upon the realization of the assets.
- Profits from the theoretical realization recognized upon obtaining control of a subsidiary in a business combination would be charged to OCI. The profits that have been driven from identifiable assets would be recycled to the P&L per the depreciation period, while goodwill would be recycled upon realization. Similarly, upon loss of control, the unrealized "profit" from the remaining unsold shares would be charged to OCI until the shares are actually sold.
- Actuarial changes from employees' benefits would be charged to OCI as one of the accounting alternatives of IAS 19 and would be recycled to the P&L throughout the life of the commitment.

The Project on Financial Statement Presentation

In recent years, the IASB and FASB have undertaken a joint project on Financial Statement Presentation (FSP). The project's target is to establish a new format for the three main financial statements—statement of financial position (formerly the balance sheet) (SFP), statement of comprehensive income (SCI), and statement of cash flow (SCF)—in order to make them more useful for the users of financial reports, especially investors and creditors.

One of the aims of the proposed presentation format, which is expected to take the form of an amendment to IAS 1, is to allow cohesiveness in the format of the three main reports, which are divided for this purpose into six identical sections and, secondarily, into categories. According to the proposal, the classification for each section and each category will be first pre-

sented in the SFP, which will determine the classification for the SCI and SCF. This means that the classification of revenues and expenses, gains and losses, and receipts and payments will be in accordance with the assets and liabilities that created them. The classification in entities that have several segments will be based on the use of assets and liabilities in the segments.

The general format of the statements formulated for the exposure draft is as follows and is illustrated in *Exhibit 1*:

- The operating category will include assets and liabilities that management views as related to the central purposes for which the entity is in business (i.e., assets and liabilities that generate revenues in the core business). All of the operating cycle of the entity is included in the operating category. Cash is always classified in the operating category.
- The investing category will include individual assets and liabilities that produce returns that are not included in the entity's revenues and have no significant synergy with the entity's activities (i.e., are not part of the core business).
- The financing category will include all the entity's funding, debt, and equity. Debt will include arms'-length loans at market conditions, dividends paid, stock put options of the entity's shares, and commitments to purchase shares of the entity.
- A separate category in the SCF and the SCI will present multicategory transactions—categories that reflect the acquisition or exercise of assets and liabilities that are classified in different categories in the SFP.
- Taxes on income will be presented in a separate category, except for taxes that refer to discontinued operations and other comprehensive income.

As part of the FSP project, in May 2010, the IASB published an exposure draft for partial changes to IAS 1, determining that the P&L and OCI will be consolidated into one statement. The OCI section will be divided into two subsections—one for transactions that will be recycled in the future to the P&L and another one for transactions that will not be recycled, so that their inclusion in OCI will transfer them to equity without being recognized in the P&L. FASB has published a parallel proposal for updating U.S. GAAP, cancelling the option of presenting OCI items in the statement of changes in equity. The U.S. format does not include the subdivision of OCI, because U.S. GAAP requires the recycling of all OCI items eventually. The proposal states that earnings per share should be reported only on the subtotal of the P&L before OCI. Nevertheless, the division of results between controlling and noncontrolling rights should be presented for the P&L and the total comprehensive income as well. The IASB explains the partial proposal to change IAS 1 stems from the growing usage of OCI, expressed in standards such as IFRS 9 and the proposed amended IAS 19.

The proposal is fairly liberal when it comes to the title of the integrated statement—"statement of the profit or loss and statement of other comprehensive income"—and allows the use of alternative titles such as "statement of comprehensive income" or any other title that the reporting entity deems relevant and representative.

EXHIBIT 1
Format of Financial Statements Under the IASB/FASB Project

Statement of Financial Position	Statement of Comprehensive Income	Statement of Cash Flow
Business	Business	Business
Operating	Operating	Operating
■ Financing arising from operating	■ Financing arising from operating	
Investing	Investing	Investing
Financing	Financing	Financing
■ Debt and other	■ Debt and other	■ Debt and other
■ Equity		■ Equity
	Effects of multicategory transactions	Effects of multicategory transactions
Income taxes	Income taxes	Income taxes
Discontinued operations	Discontinued operations, net of tax	Discontinued operations
	OCI, net of tax	

The Authors' Proposed Model

The authors' proposed model includes a structured methodology and creates a distinction between realized and unrealized income and expenses on the basis of the assets and liabilities from which they derive. According to our model, changes in the fair value of nonfinancial assets and liabilities as well as specific financial instruments would be charged to OCI and recycled to P&L when realized in the future. As a result, retained earnings would present realized profits only.

Although the model does not refer to measurement issues, it can assist. For example, the model may assist in measuring financial liabilities at fair value by including the changes in fair value of liabilities arising from changes in the issuer's credit quality in the statement of the financial position, but not in net profit (loss), as will be explained below.

The proposed model creates a distinction between realized income and expenses and unrealized income and expenses on the basis of the accounting type of the assets or liabilities that created them. *Exhibit 2* illustrates that distinction.

According to our model, unrealized income and expenses from nonfinancial items and several financial instruments would be charged to OCI and recycled to net profit (loss) upon realization in the future. As a result, retained earnings would represent only realized profits. An example of this model is the treatment of assets available for sale in U.S. GAAP and IFRS before the changes offered by IFRS 9.

Our model refers to nonfinancial items that IAS 39, *Financial Instruments:*

Recognition and Measurement, applies to as financial items. How these financial items would be treated depends upon their nature and the designation determined by the reporting entity. For example, a change in fair value of equity instruments held for trading will be recognized directly on the P&L, while changes in fair value of equity instruments available for sale will be charged to OCI until the sale, and then recycled to the P&L.

The significant advantage of the proposed model is to maintain the relevance of net income (loss) in measuring business outcomes without losing the fair value or any other economic value on the statement of financial position.

The reclassification from OCI to net income that results from realization (recycling) will be presented in the relevant part of the P&L (operating, financing, or taxes). The proposed model suggests that all OCI items will be recycled eventually.

Demonstration of the Model

Example 1: Profits resulting from the revaluation of current holdings as a result of acquiring control. Company A holds 40% of the shares of Company B since the date of its establishment. Company A does not control Company B and implements the equity method. Company B's equity is $100 million and its fair value is $1,000 million (assuming a linear distribution). Company A purchases an additional 25% of Company B shares in exchange for $250 million, and achieves control. Assume that the excess price over book value is set at 70% for goodwill and 30% for identifiable assets (linear average depreciation period of three years). The noncontrolling interests remain with 35% of the shares of Company B. The accounting policy of Company A is to measure noncontrolling interests at their fair value on the date of the business combination.

Treatment today. According to IFRS 3(R) and SFAS 141(R), *Business Combinations*, the "conceptual realization" is applied at the time of obtaining control, and accordingly, Company A would recognize a profit of $360 million ([$1,000 – $100] × 40%). The difference between the fair value and book value of Company B is $900 million, of which $585 million refers to the controlling interest, out of which $360 million derives from the prior 40% holdings held before obtaining control and the other $225 million from the additional 25% interest acquisition. From that $900 million difference, $630 million relates to goodwill and the $270 million balance relates to depreciable intangible assets. In the coming three years, Company A will also recognize depreciation of intangible assets of $270 million ([$1,000 – $100] × 30%), or $90 million per year. Out of the $270 million, $94.5 million, which represents the portion of the noncontrolling interest in identifiable assets, will be added to noncontrolling equity as of the acquisition of control. In addition, $220.5 million ($900 × 35% × 70%) of goodwill related to noncontrolling interest will be charged to equity.

Treatment under the proposed model. According to our model, Company A's theoretical profits from deemed realization of $360 million will be credited to OCI; $252 million (70%) represents goodwill, and $108 million (30%) represents identifiable assets. This profit will be recycled to P&L as follows:

Identifiable assets. The OCI of $108 million that represents identifiable assets will be recycled to the P&L alongside the depreciation of the assets, namely $36 million per year for three years. As a result, depreciation will total $54 million each year ($90 – $36). In addition, $22.5 million ([$90 × 35%] – $36) represents the controlling interest, and $31.5 million ($90 × 35%) represents the noncontrolling interest. One can see that the portion of the intangible assets depreciation that relates to the controlling interest is equal to the newly acquired 25% shares.

Goodwill. The OCI amount of $252 million (360 × 70%) that relates to goodwill will be presented as a capital fund, until the loss of control or in an event of impairment, and is attributed only to Company A.

Example 2: The credit risk component of the financial liabilities. Company C issued $100 million in par value bonds on January 1, 2010, at their par value. The bonds bear 6% interest, paid at the end of the year, reflecting the appropriate market interest rate risk. At the end of 2010, as a result of deterioration of the company's credit risk, the market price of the bonds is reduced to $80 million. The risk-free rate as of the end of the year is 2%.

Treatment today, if the fair value model is elected. Other than the current interest expenses of $6 million, a profit of $20 million would be recognized in the P&L.

Treatment under the proposed model. Other than the current interest expenses, the $20 million would be charged to OCI and recycled to the P&L during the life of the bonds according to the interest method, or in the case of the repurchase of the bonds by the company. The value of the capital fund created from the changes in the fair value will vary in accordance with the changes in the bonds' market price.

Example 3: Actuarial gains and losses. Company D employs a fixed number of employees. The actuarial liability balances as of December 31, 2009, and December 31, 2010, are $100 million and $120 million, respectively. Actuarial losses in 2010 amounted to $5 million. The remaining actuarial losses that have not been debited to the P&L as of December 31, 2009, are $15 million. At any given time, employees are expected to work for the company for an additional 10 years, on average.

Treatment today. There are several alternative accounting policies according to current guidance, including a policy that will be mandatory under the proposed amendment to IAS 19. Under the proposal, the liability is measured at the present value of the actuarial liability, and actuarial differences are charged to OCI and never recycled to the P&L.

Treatment under the proposed model. The liability is measured in accordance

EXHIBIT 2
Proposed Model's Distinction Between Realized and Unrealized Income and Expenses

	Nonfinancial Items	Financial Items
Realized	P&L	P&L
Unrealized	OCI	OCI or P&L

with the present value of the actuarial commitment, and the actuarial profits or losses are charged to OCI until recycled to the P&L. An additional expense of $1.5 million would be included in 2010, due to the recycling of OCI over 10 years. The charges to the OCI capital fund in equity would vary according to actuarial changes applied during the amortization period.

Example 4: Investment property. Company E acquires investment property for $100 million (one-half is attributed to the land) on January 1, 2010. The useful life of the building is 40 years. On December 31, 2011, the fair value of the investment property is $120 million.

Treatment today. Assuming Company E chooses the fair value model, it will recognize the $20 million profit from revaluation in the P&L.

Treatment under the proposed model. Changes in fair value would be charged through OCI to a capital fund. This profit will be recycled to the P&L when the investment is sold. As an alternative, the model also allows recognition of the depreciation costs of $1.25 million ($100 × 1/2 × 1/40) in the P&L and a charge of $21.25 million (120 – [100 – 1.25]) to the OCI. The OCI will be recycled to the P&L in the event of impairment.

Alternative Format for SCI

The authors propose an alternative to the format put forward by the FSP project that, in our opinion, is more relevant, useful, and understandable. We suggest an allocation to different sections, categories, and classifications from those in the IASB proposal.

According to our format, the SCI would be divided into five sections:

- Business current operations would include all ongoing regular activity of the reporting entity's business, with the usual subtotals for gross profit and operating profit, less the relevant tax effects.
- Business noncurrent operations would include realized capital gains, profits and losses, income, and expenses of a nonrecurrent nature, less the relevant tax effects.
- Financial activities would include interest income and expenses, exchange rate differences, and the results of financial hedge transactions, less the relevant tax effects.
- Profit or loss from discontinued operations would include results net of tax according to the existing presentation format.
- Other comprehensive income would represent charges to OCI items, net of the recycled transactions, presented in two different subsections, each with a subtotal and a total before and after tax.

According to the proposed format, OCI transactions would be split into two subsections. The first subsection—changes in fair value transactions—reflects changes in the fair value of assets and liabilities charged against capital funds. The second subsection is the reclassification of OCI transactions to the P&L, which are known as "recycling" transactions. The recycling also transfers OCI transactions from the capital fund to retained earnings due to the reclassification to the P&L. The recycling transactions appear twice in the SCI with opposite signs—in the OCI and in the P&L—so they have no effect on the total summing up of comprehensive income.

For the benefit of usability and transparency, transactions would be presented separately by issue in each subsection of the OCI section before the tax effect. Recycled transactions would be presented in each relevant section of the P&L as a separate recycling transaction or as a part of the same line item, as long as an appendix shows the reconciliation between OCI and the P&L.

According to the authors' proposed model, income taxes would be presented separately for each section of the SCI, not only in the discontinued operations and OCI sections, in order to present the net of tax contribution of each section. Because corporate tax rates differ from capital gains tax rates in many countries, different tax rates may be applied to different sections. A reconciliation and summing up of all the tax transactions in the SCI would be presented in the income tax note disaggregating between deferred taxes and current taxes. Because this issue is not essential to our model, however, the authors do not rule out the IASB approach of concentrating all income taxes after the financing section.

Exchange rate differences resulting from assets and liabilities denominated in a different currency from the activity currency would be presented as part of the financial section, because they result from financial risks that the entity chose not to hedge against.

When OCI items are realized, the balance of changes in fair value up to the realization price must be recognized in the first subsection of OCI as well, and the total would be recycled.

Key Differences Between the Models

In summary, the main differences between the format proposed by the authors and the format proposed by the IASB/FASB are as follows:

1) In the business section, our model divides current activities and noncurrent and one-time transactions, while the IASB format separates core business and unsynergic investments. For example, in our model, the stream of income from an investment property is current, and the change in fair value or the results of realization are noncurrent. In the IASB's model, both transactions should be classified in the same section because they derive from the same asset.

2) The IASB's format dedicates a separate section for income taxes, excluding taxes for discontinued operations and OCI sections that are included in these sections. Our model includes the effect of taxes on each section separately.

3) The IASB's format does not include all financial transactions in the financing section because part of the assets that yield financial income or expenses are classified in the operating category. We believe that a separation of financial transactions is not only impractical but also reduces comparability across entities. Financing and monetary risk transactions should not affect the operating category in order to enable better comparison between entities that have different levels of leverage and different monetary risk exposure.

4) Because not all of the outcomes from each asset or liability in the authors' format are included in the same section or category, there is no logic in having the same format for SCI and SFP. The SFP, in our view, should remain as it currently exists. The SFP is a snapshot at the end of the reporting period and not an average of the balances during the period. The balances in the SFP do not correlate with the results included for the same items in the SCI and SCF. The advantage that the IASB is attempting to achieve with respect to financial ratios will not materialize. We agree that having the same format for the SCI and SCF will increase the usefulness of both and will enable reconciliation between them.

5) The OCI section, as put forth by the IASB, is divided into two parts: transactions that will be recycled and those that will not (according to the recent exposure draft). Because recycling is mandatory in the

authors' model, we propose that the two parts differentiate between changes in fair value transactions and recycling transactions.

Exhibit 3 shows an example of the SCI format according to our model.

Advantages

Our proposed model includes a structured methodology and creates a distinction between realized and unrealized income and expenses on the basis of the assets and liabilities from which they derive. Our model provides the theoretical basis for a conceptual framework of OCI.

According to our model, changes in the fair value of nonfinancial assets and liabilities, as well as specific financial instruments, will be charged to OCI and will be recycled to the P&L upon realization. As a result, retained earnings will represent realized profits only.

Our model does not refer to measurement issues but only recognition and presentation issues. Nevertheless, our model may assist in dealing with measurement issues, such as the measurement of financial liabilities at fair value, so that changes that are driven by the risk of the issuer will be included in the SFP but not the P&L. A more radical example could be the fair value measurement of mineral, oil, and gas assets through OCI, to be recycled to the P&L consistent with regular income recognition rules.

The advantages of our model are quite clear. The most important one is the relevancy of performance measurement based on realization in the P&L and completion of the economic picture in the OCI. This can be accomplished while complying with fair value accounting. Our model results in consistency in the comparability between different entities and periods. ❑

EXHIBIT 3
Example of Statement of Comprehensive Income, According to the Proposed Model

	For Years Ended December 31		
	2009	2008	2007
	in Thousands of U.S. Dollars		
A. Current Business Activity			
Sales–wholesale	$100,000	$100,000	$100,000
Sales–retail	40,000	40,000	40,000
Service revenues	20,000	20,000	20,000
Total revenue	**160,000**	**160,000**	**160,000**
Cost of goods sold	110,000	110,000	110,000
Gross profit	**50,000**	**50,000**	**50,000**
Selling and marketing expenses	13,000	13,000	13,000
General and administrative expenses	9,000	9,000	9,000
Research and development	2,000	2,000	2,000
Other operating income	(1,000)	(1,000)	(1,000)
Other operating expenses	3,000	3,000	3,000
Total operating expenses	**26,000**	**26,000**	**26,000**
Profit from current business	**24,000**	**24,000**	**24,000**
Income tax on operational business	(6,000)	(6,000)	(6,000)
After-tax operating profit	**18,000**	**18,000**	**18,000**
B. Noncurrent Business Activity			
Dividend income	1,400	1,400	1,400
Capital gains from realization of invested property	3,000	3,000	3,000
Restructuring cost	(4,000)	(4,000)	(4,000)
Recycling from OCI*	3,600	3,600	3,600
Income tax on nonoperational business	(800)	(800)	(800)
After-tax noncurrent business profit	**2,800**	**2,800**	**2,800**
Total profit from business	**20,800**	**20,800**	**20,800**
C. Financing Activity			
Interest income	400	400	400
Interest expenses	(1,800)	(1,800)	(1,800)
Currency rate of exchange, net	600	600	600
Income tax on financing	200	200	200
Net expense from financing activity	**(600)**	**(600)**	**(600)**
Net profit from continuing operations	**20,200**	**20,200**	**20,200**
D. Discontinued Operations			
Loss on discontinued operations	(4,000)	(4,000)	(4,000)
Tax benefit	1,000	1,000	1,000
Net loss from discontinued operations	**3,000**	**3,000**	**3,000**
Net profit for the year	**23,200**	**23,200**	**23,200**
E. Other Comprehensive Income			
Changes in fair value			
Unrealized gain on available-for-sale financial assets	1,100	1,100	1,100
Unrealized gain on cash flow hedges	1,200	1,200	1,200
Foreign currency translation adjustment	1,300	1,300	1,300
Revaluation of investment property	1,400	1,400	1,400
Revaluation of PP&E	1,500	1,500	1,500
Actuarial changes of employee benefits	1,600	1,600	1,600
Goodwill from business combination	1,700	1,700	1,700
Share of OCI of associates	1,800	1,800	1,800
Total changes in fair value	**11,600**	**11,600**	**11,600**
Recycling to P&L			
Realized gain on available-for-sale	(100)	(100)	(100)
Realized gain on cash flow hedges	(200)	(200)	(200)
Foreign currency translation adjustment—subsidiary	(300)	(300)	(300)
Foreign currency translation adjustment—associates	(400)	(400)	(400)
Profit from realization of investment property	(500)	(500)	(500)
Realized revaluation of PP&E	(600)	(600)	(600)
Recycling of employee benefits actuarial changes	(700)	(700)	(700)
Realized share of OCI of associates	(800)	(800)	(800)
Total recycling to P&L	**(3,600)**	**(3,600)**	**(3,600)**
Net other comprehensive income before tax	**8,000**	**8,000**	**8,000**
Income tax on OCI	(1,600)	(1,600)	(1,600)
Net other comprehensive income	**6,400**	**6,400**	**6,400**
Total comprehensive income	**29,600**	**29,600**	**29,600**

* The recycling transactions were not split into the various sections of the statement for convenience.

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