

27 October 2005

Mr Tony Cope
International Accounting Standards Board
30 Cannon Street
LONDON
EC4M 6XH

Dear Tony

Comprehensive income

The UK Society of Investment Professionals ("UKSIP") is a professional organisation whose main aim is to foster and maintain high standards of professional ability and practice in investment analysis, portfolio management and related disciplines. UKSIP currently has some 5,500 members who work or have an interest in the UK financial services industry. Most members hold the ASIP, CFA or IMC designation. The ASIP designation is held primarily by those who successfully completed UKSIP's former Associate examination, which was similar to the CFA. UKSIP is the UK-based member society of the CFA Institute, the organisation that develops and administers the Chartered Financial Analyst (CFA®) Program.

UKSIP also develops and administers the Investment Management Certificate (IMC), the benchmark qualification for those working in investment management in the UK. Over 15,000 investment professionals have passed the IMC.

As the representative body for analysts throughout the United Kingdom, UKSIP would like to put forward its views on the concept of comprehensive income. Earlier this year the IASB and FASB reached some tentative decisions on the content and structure of the Performance Reporting Project as it moved towards an Exposure Draft. As a consequence of this some strong views have been expressed in support of the status quo. It has been argued that a move to comprehensive income would not be helpful for analysts and investors, amongst whom are many UKSIP members, and that the existing income statement should be retained.

UKSIP believes it would be unhelpful and potentially misleading if the income statement were not to include all the wealth changes (excluding transactions with owners) that arise in the period under review. All the data concerning the period's economic activity should be in one place in the financial reports. Components that have different characteristics need to be differentiated in a way that allows them to be evaluated separately. The comprehensive income itself should be the amount that is attributable to the ordinary shareholders of the parent entity. Accordingly, conceptually, UKSIP believes that an income statement that includes all these changes will be a richer, more useful statement than that currently produced.

It is argued that a move to comprehensive income will hinder an assessment of performance by including items that represent valuation and other changes alongside the existing income statement. This argument implies that the existing income statement is already accepted as some sort of definitive measure of performance. In reality,

participants throughout the capital markets manipulate the existing income statement and balance sheet data in a wide variety of ways to develop cash flow and valuation models. For example, analysts frequently adjust the income statement for items relating to changes in asset valuations or non recurring items or other adjustments calculated from data found in the notes to the financial statements. It is unrealistic to assume that the existing income statement is anything more than a jumping off point for further detailed analysis.

The argument that corporate enterprises would not use the comprehensive income statement for their own performance evaluation is not, in UKSIP's view, a justifiable criticism. Experience shows that the current income statement as published is seldom used as a measure of performance without management seeking to exclude or include items as they deem appropriate.

Concern has been expressed that items that would now be included in the income statement, in order to give greater visibility, will become performance measures in themselves. UKSIP believes that the capital markets will be able to distinguish those valuation items that do not have a direct cash flow impact. As mentioned above, no-one in the sophisticated capital markets of the world today uses the published statements without analysis or adjustment.

Hence, UKSIP urges the IASB to proceed with the performance project and endorses its decision to move towards comprehensive income. Undoubtedly there will be a number of issues that arise out of the project as you seek to make it as understandable and relevant for users as possible. The Society looks forward to contributing its views as the project develops.

Yours sincerely

A handwritten signature in black ink that reads "Tony Good". The signature is written in a cursive style with a long horizontal stroke at the beginning of the word "Tony".

A R Good ASIP
Chairman UKSIP Accounting Advocacy Committee