

Research on the Confirmation and Measurement of Other Comprehensive Income

Liyao Xu^{1,*}

¹ School of Management, Shanghai university, Shanghai 201800, China

*Corresponding Author

ABSTRACT. *As the fair value is applied, the growth of financial instruments and derivatives, more and more attention has been paid to the Comprehensive Income View which can meet the needs of investors. China's current development of Comprehensive Income View is still in the primary stage, the part about Other Comprehensive Income in Accounting Standard needs to be further improved urgently. At the same time, there are some problems in the confirmation and measurement methods of this project. Starting from these problems, this paper lists the problems in the confirmation and measurement of Other Comprehensive Income, analyzes its causes and puts forward the targeted solutions through the comparison with International Accounting Standards. To the early perfection of Accounting Standards put forward my own thoughts and suggestions.*

KEYWORDS: *Other Comprehensive Income, Accounting confirmation, Accounting measurement, Comprehensive Income View*

1. Introduction

1.1 Research background

Under the trend of economic globalization, financial instruments and financial derivatives have been more widely used. Correspondingly, the use of fair value is also further deepened; the traditional concept of income based on profit and loss gradually cannot better reflect the operating conditions of enterprises. People began to prefer to use a comprehensive income view that is more in line with modern requirements. The comprehensive income view can effectively meet the needs of investors, understand the real business conditions, and help them make effective strategic decisions. Incorporating other comprehensive income into income has a supplementary explanation effect that is different from "profit and loss" for fully reflecting the current operating conditions of the enterprise, and it is a good embodiment of the usefulness of decision-making.

1.2 Research purpose

In the past ten years, my country has made a series of adjustments to corporate accounting standards to achieve international convergence. However, the current standards still have limitations. There are still many loopholes in the recognition and measurement of other comprehensive income, which need to be discussed. Research improvement. Up to now, there is no clear standard to define how to confirm and measure "other comprehensive income", and there are many problems. This article enumerates and analyzes the recognition and measurement problems of other comprehensive income accounts in my country's accounting, and then compares and analyzes with the relevant regulations in the international accounting standards, and puts forward targeted solutions, with a view to other The improvement of comprehensive income-related standards has given some inspiration.

2. Literature overview

Regarding the accounting issues of other comprehensive income, domestic scholars have conducted the following sorting and research:

Dang Hong (2003) made an in-depth theoretical analysis of comprehensive income from the perspective of economics. Jifeng (2010) analyzed the overall situation of the presentation and disclosure of other comprehensive income of all listed companies in my country in 2009 by comparing the relevant regulations of IFRS and CAS on other comprehensive income, and put forward specific points for regulating the presentation of other comprehensive income. Suggestions for countermeasures. Tang Jin (2011) systematically reviewed the research and improvement of the presentation and disclosure of the IASB and FASB; Ning Xiaobo (2012) compared the presentation of other comprehensive income in my country's accounting standards and international accounting standards; Peng Hongchao (2013) compares and analyzes other comprehensive income accounting reporting models in my country's standards and IASB and FASB. Xu Chunling (2017) reviewed in detail the connotation and presentation method of comprehensive income in the "Accounting Standards for Business Enterprises No.30-Financial Statement Presentation" revised in 2014, and pointed out the problems of CAS30 in the current market environment operation, and gave corresponding opinions and suggestions.

3. Analysis on the current situation of other comprehensive income in accounting standards

3.1 Comparison of definitions of other comprehensive income

The US Financial Accounting Standards do not directly define other comprehensive income, but focus on the definition of comprehensive income and the classification of comprehensive income, which indirectly refers to other

comprehensive income. The American Accounting Standards Board (FASB) believes that comprehensive income is the change in the owner's equity during the business period caused by transactions and non-shareholder matters. It is composed of profit and loss and other comprehensive income. Other comprehensive income is income and expenses other than profit and loss. , Gains and losses, which are defined according to "distinguish characteristics", which have the characteristics of unrealized, non-recurring, non-operating, measurement uncertainty, long-term realization and management control; the International Accounting Standards Board (IASB) believes that other comprehensive income is income and expense items (including reclassification adjustments) that are not required or not allowed to be recognized in profit or loss in accordance with other international financial reporting standards; the Ministry of Finance published in July 2014 "Accounting Standards for Business Enterprises No.30-The Financial Statement Presentation stipulates that other comprehensive income refers to the various gains and losses of the enterprise that have not been recognized in the current profit and loss. The standard adds two items of "other comprehensive income" and "total comprehensive income" in the income statement. Separate other comprehensive income into separate accounting items and statement items from the capital reserve, and use them as a primary item to calculate the net amount of each gain and loss not recognized in the profit and loss after deducting the effect of income tax.

3.2 Problems in the recognition of other comprehensive income

3.2.1 Lack of clear concept definition, and related accounting standards are not yet perfect

According to my country's accounting standards in 2014, other comprehensive income is defined as the net amount of various gains and losses that have not been recognized in profit or loss in accordance with accounting standards, after deducting the effect of income tax. It can be seen that the current definition of other comprehensive income in China is still not clear, and there is no clear distinction between the concepts of "profit and loss" and "other comprehensive income". The definitions of the two overlap in part, which makes it difficult to apply in practice. Identify the distinction; domestic accounting standards involve relatively little other comprehensive income, while foreign accounting standards simply use the "exclusion method" for the recognition and measurement of other comprehensive income-income that cannot be calculated as profit or loss belongs to other comprehensive income. Such confirmation and measurement methods add more uncertainty to accountants, and the lack of clear standards and regulations makes the subject lack the most important support for the application in practice.

3.2.2 Profits and losses that have not yet occurred are strongly affected by subjective factors

Other comprehensive income is the unrecognized profit and loss, which belongs to the current unrealized profit and loss. The judgments and corresponding decisions of enterprise management personnel on enterprise development will directly affect the profit and loss of the enterprise for a period of time in the future, which makes the recognition of other comprehensive income have strong subjective factors, and the accounting personnel lack A stable and testable basis cannot be defined from the perspective of standardization of accounting standards, thus increasing the difficulty of confirming the subject.

3.3 Problems in the measurement of other comprehensive income

3.3.1 The classification standard is not detailed enough and the coverage is not comprehensive

The types of items included in other comprehensive income in my country's accounting standards are still incomplete and cannot cover the entire scope. Makes other comprehensive income accounts unable to realize their due value. According to the "Accounting Standards for Business Enterprises No. 30-Financial Statement Presentation" (2014), whether other comprehensive income can be reclassified into profit and loss in the future can be divided into two categories: One is the items that can be reclassified into profit and loss in the future The other category is items that cannot be reclassified into profit and loss in the future; the standard adopts the enumeration method, and the specific classification is shown in Table 1.

Table 1 Two categories of other comprehensive income measurement in China

Items that can be reclassified to profit and loss	Items that cannot be reclassified to profit and loss
1. The share of other comprehensive income that can be reclassified into profit and loss when the invested entity meets the conditions in the subsequent accounting period when calculated by the equity method; 2. Gains or losses caused by changes in the fair value of available-for-sale financial assets; 3. Gains or losses resulting from the reclassification of held-to-maturity investments into available-for-sale financial assets; 4. The part of the profit or loss generated in the cash flow hedging instrument that belongs to the effective hedging; 5. Translation differences of foreign currency financial statements; 6. Other items specified in accordance with relevant accounting standards.	1. Remeasure the changes caused by the net assets or net liabilities of the defined benefit plan; 2. The share of other comprehensive income that cannot be reclassified into profit and loss calculated in accordance with the equity method in the subsequent accounting period of the investee.

It can be seen from Table 1 that the items listed in the guidelines are very limited, and the situation is single, and it does not give a universally applicable standard for reclassification into profit and loss. Moreover, there is no explanation on when and how to reclassify other comprehensive income into profit and loss. As a result, other comprehensive income cannot be reclassified effectively and reasonably, which makes the financial statements have great uncertainty and ambiguity.

3.3.2 Fair value is difficult to accurately measure

Other comprehensive income reflects the change in fair value and historical cost. Fair value is sometimes difficult to accurately measure in practice. To estimate fair value, we need to use a corresponding valuation model to predict the future cash flow of assets based on the company's existing environment. Therefore, the measurement of other comprehensive income also depends on the accuracy of the fair value measurement. In practice, due to the lack of corresponding training and experience of accountants, problems such as insufficient professionalism or difficulty in obtaining valuation model data will lead to deviations in the calculated fair value, and insufficient accounting measurement accuracy cannot truthfully reflect other comprehensive income's change.

4. Suggestions

Based on the definition and measurement standards of other comprehensive income in the international accounting standards, this article puts forward corresponding suggestions for the current problems in the recognition and measurement of other comprehensive income in China.

4.1 Improve the accounting standards for other comprehensive income and converge with international standards

Accounting standards play a vital role in accounting practice and are the basic yardstick to measure "should be done" and "should not be done" in practical operations. The provisions on other comprehensive income and comprehensive income in my country's accounting standards need to be improved, and some items need to be further supplemented. The above comparison of the definitions of other comprehensive income at home and abroad, we can see that the domestic and foreign accounting standards basically converge in the expression of other comprehensive income definitions. The FASB also lacks effectiveness in distinguishing profit and loss from other comprehensive income, leading to other comprehensive income. The definition of income is vague. Based on this, the standard-setting department should strengthen communication with enterprises, or solicit opinions from the society extensively, and formulate targeted accounting regulations based on specific conditions to better provide useful information for decision-making. In addition, you can also refer to the regulations on other

comprehensive income in other relevant foreign accounting standards to modify and improve the existing domestic standards, and further start to standardize and complete them, truly realize the convergence of domestic and foreign standards, and establish a comprehensive income system. Build a good foundation.

4.2 Specific definition of other comprehensive income and clarification of its classification standards

Due to the vague definition of profit and loss and other comprehensive income, the definition of reclassification lacks clear and reasonable distinction standards in domestic and foreign accounting standards. As a result, there is no specific basis for other comprehensive income to be measured, and accountants cannot effectively The measurement. Table 2 lists the items that can be reclassified into profit and loss as required by the IASB. By comparing with Table 1, we can find the following two deficiencies:

Table 2 IASB's regulations on the measurement of other comprehensive income

Items that can be reclassified to profit and loss	Items that cannot be reclassified to profit and loss
1. Calculated according to the equity method, the share in the other comprehensive income of associates and joint ventures 2. Gains and losses arising from the translation of financial statements of overseas operations 3. Changes in the fair value of available-for-sale financial assets 4. Cash flow hedges or hedging instruments in net investment hedges belong to the gains and losses of the effective hedging part 5. Changes in liabilities of insurance contract items due to changes in discount rates	1. Designate financial liabilities that are measured at fair value and whose changes are included in profit or loss. If their gains or losses have been included in profit or loss, their credit risk changes shall not be reclassified 2. Changes in revaluation surplus of fixed assets and intangible assets 3. Set the actuarial gains and losses of the benefit plan

There is no other comprehensive income in my country's standards—revaluation surplus items. The IASB uses the cost model or revaluation model to measure fixed assets and intangible assets. When the asset revaluation increases in value, if it belongs to the revaluation reduction previously recognized as an expense The transfer-in of the value is counted as current income, otherwise it is counted as the revaluation surplus item in other comprehensive income; when asset revaluation impairment, if it belongs to the transfer-in that was previously recognized as revaluation appreciation, it is included in other comprehensive income, otherwise It is included in current expenses and shall not be transferred to profit or loss. The domestic accounting standards adopt a cost model to measure fixed assets and intangible assets, and do not involve a revaluation model. In order to be in line with international accounting standards, the country can consider introducing a revaluation model to improve the quality of corporate accounting information.

The IASB stipulates that "financial liabilities can be specifically measured at fair value and their gains or losses are included in profit and loss." International

Accounting Standards use the measurement tool IFRS9 to allow financial liabilities that are measured at fair value and generate gains or losses to be included in other comprehensive income and cannot be reclassified to profit and loss items. Domestic accounting standards do not yet have this requirement.

In addition to the above two points, the reclassification standards also need to be further improved to provide a clear basis for judgment in practice, so that companies can more accurately measure other comprehensive income.

4.3 Strengthen the comprehensive income concept and the accuracy of fair value measurement, and increase the proportion of enterprises used

The comprehensive income view is the current general trend, and it plays an increasingly important role in statement disclosure. Other comprehensive income can reflect the future profitability of an enterprise, and facilitate information users to better grasp information and make decisions; therefore, accounting practitioners must keep pace with the times, understand and master the basic ideas of the comprehensive income view, and achieve Flexible use. Professional training can be provided to relevant accounting personnel to gradually improve the accuracy of fair value measurement, so that it can clarify the importance of the concept of comprehensive income, and realize the transition from traditional thinking to the concept of comprehensive income as soon as possible. The accountant's understanding and mastery of comprehensive income is also related to the objective and reasonableness of the company's statement data, in order to be able to truly understand the overall situation of the company and help investment People make rational and scientific judgments, and companies should increase the use ratio of the comprehensive income concept, and truly learn and apply flexibly in practice, which is also conducive to the early establishment of the framework system.

4.4 Gradually establish my country's comprehensive income conceptual framework system

Constructing our country's comprehensive income conceptual framework system is the basis and guarantee for the sound application of the comprehensive income concept. Affected by the market environment and accounting standards, my country's other comprehensive income items are not included in the specific accounting standards system, but are scattered and measured in different specific standards. The improvement of the standards should first establish the framework of other comprehensive income systems at the macro level, and then fill the system through specific standards, continue to innovate the research of financial instruments, and standardize the process of accounting confirmation and measurement. This is not only conducive to the practical operation of accountants, ensuring the rationality of financial statement preparation, but also speeding up the construction of a comprehensive income framework system to a certain extent, allowing financial information to play a greater role.

5. Conclusion

To sum up, the concept of comprehensive income has not attracted enough attention in China so far, and the definition, confirmation, and measurement methods in accounting standards are still unclear, which directly leads to the lack of reliable basis when enterprises use this item, which leads to The recognition and measurement results of other comprehensive income differ greatly among enterprises. In order to solve and improve this problem, we should start with the formulation of norms, clearly stipulate the form of recognition, measurement, disclosure and presentation of other comprehensive income items, strengthen the technical level of practitioners, cultivate the concept of comprehensive income, and establish comprehensive income. The income concept framework system can implement the comprehensive income view into the financial report and provide useful information for decision-making.

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