

# AccountancyAge

## Profit or loss necessarily 'rough around the edges'

by Richard Crump

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**THE DEFINITION** of profit or loss within the IASB's conceptual framework is "necessarily a bit rough around the edges", according to the global standard setter's chairman.

Speaking at an Accounting Standards Board of Japan [seminar](#) in Tokyo, Hans Hoogervorst [pictured] said there is a "scarcity of concrete suggestions" on how the IASB should define profit or loss and other comprehensive income (OCI).

The IASB is attempting to clarify the reporting of profit or loss as part of its project to overhaul the framework that underpins its standard setting process. A

lack of a clear definition for OCI and profit or loss has meant that OCI has been used as a dumping ground for presenting items that don't fit into profit or loss.

"If we agree that profit or loss is the primary indicator of [performance](#), it needs to be robust and tinker-free. It is absolutely vital that profit or loss contains all information that can be relevant to investors and that nothing of importance gets left out," Hoogervorst said.

"A broad definition of profit or loss comes at a [price](#), namely that it is necessarily a bit rough. It may lack the nuance to adequately portray the performance of an entity in all circumstances."

Hoogervorst added there also needed to be discipline in how OCI is used. "If we resort to OCI too easily, this would ultimately undermine the credibility of net income and that is something we should avoid at all [costs](#)," he said.

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