

Week 2 - DQ 3

What is included in other comprehensive income?

Response #1 Other comprehensive income is gains and losses that have not been realized by a business yet. Gains and losses that have not been realized could include foreign currency translation gains or losses, foreign investments gains or losses, and unrealized pension costs. Other comprehensive income is the difference between net income and comprehensive income.

Response #2 Comprehensive income is a specific term used in companies' financial reporting. It is also known as the change in equity of a business during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those that result from investing by owners and distributions to owners.

Comprehensive incomes includes items like unrealized holding gain or loss from available for sale securities and foreign currency translation gains and losses. The items included in a comprehensive income but are not yet net are reported under the accumulated other comprehensive income section of the Shareholder's equity income

Response #3 Other comprehensive income includes changes in equity during a period that results from investments made by owners and distributions to owners. These items are not included on the income statement, instead the FASB has three options for companies to show the other comprehensive income components. First, they can be listed on a second income statement. Second, a company may issue a combined statement of comprehensive income. Finally, other comprehensive income can be displayed as a part of the stockholders' equity statement. According to Kieso, Weygandt, and Warfield (2007), other comprehensive income has to be displayed as either a net of related tax effects or before related tax effects. It is important to separate other comprehensive income with comprehensive income. The later includes all expenses and losses reported in net income, the gains and losses by affect the stockholders' equity but miss net income, and all revenues and gains. Potential gains and losses still have to be disclosed even though they are excluded from net income.

Reference: *Kieso, D. E., Weygandt, J. J., & Warfield, T. D. (2007). Intermediate accounting (12th ed.). Hoboken, NJ: John Wiley & Sons.*

Response #4 Other comprehensive income includes foreign currency items, pension liability adjustments, and unrealized gains and losses on investments. The transactions occurred as other comprehensive income are not reported as regular earnings, and are required by FASB to be disclosed separately from the earnings to avoid potential confusion in the income statement report. In addition, comprehensive income does not affect net income or retained earnings.