

# Other Comprehensive Income — FASB Addresses Reclassification Adjustments

**June 21, 2012** — At its meeting yesterday, the FASB tentatively decided not to reinstate the presentation requirements for reclassifications adjustments originally contained in ASU 2011-05.<sup>1</sup> Instead, the Board voted to expand the disclosure requirements for such items to give financial statements users more access to information about the effects of reclassification adjustments on an entity's financial statements.

Issued in June 2011, ASU 2011-05 initially required entities to present reclassification adjustments out of accumulated other comprehensive income (AOCI) by component in both (1) the statement in which net income is presented and (2) the statement in which other comprehensive income (OCI) is presented. However, after constituents raised several operational concerns, the FASB issued ASU 2011-12,<sup>2</sup> which indefinitely deferred this requirement.

Under the disclosures proposed at yesterday's meeting, entities would be required to provide additional quantitative information in two separate tables in the notes to the financial statements. Currently, ASC 220-10-45-14A<sup>3</sup> requires entities to present period changes in the components of AOCI. The proposed disclosures would require entities to further disaggregate this information in a table that depicts the amounts of such changes that are attributable to reclassification adjustments. Entities would also include a separate table that depicts, by component, (1) significant items reclassified out of AOCI and (2) corresponding information about the income statement line item(s) affected by the reclassification adjustment (with certain exceptions). The new disclosures would apply to both public and nonpublic entities, for both annual and interim financial statements.

The Board also considered whether the final guidance would be issued in time for the December 31, 2012, year-end reporting cycle or potentially for the first quarter of 2013. However, the Board ultimately decided to seek additional input from preparers regarding effective dates and requested the staff to include a question for respondents on the topic in its forthcoming exposure draft (ED). The Board also indicated that nonpublic entities should have an additional year to implement a final standard.

The staff indicated that the ED would most likely be issued in either late July or early August of this year and that it would have a 60-day comment period.

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<sup>1</sup> FASB Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income*.

<sup>2</sup> FASB Accounting Standards Update No. 2011-12, *Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*.

<sup>3</sup> FASB Accounting Standards Codification Subtopic 220-10, *Comprehensive Income: Overall*.

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