

Heads Up

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ReclassiVacation

FASB Defers Portions of New OCI Standard

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Introduction

Today, the FASB issued [ASU 2011-12](#),¹ which indefinitely defers certain provisions of ASU 2011-05.² Issued earlier this year, ASU 2011-05 revised the manner in which entities present comprehensive income in their financial statements.

Among the new provisions in ASU 2011-05 was a requirement for entities to present reclassification adjustments out of accumulated other comprehensive income (AOCI) by component in both the statement in which net income is presented and the statement in which other comprehensive income (OCI) is presented (for both interim and annual financial statements). Accordingly, this requirement is indefinitely deferred by ASU 2011-12 and will be further deliberated by the FASB at a future date. The new ASU affects both public and nonpublic entities that report items of OCI in any period presented.

During the deferral period, entities will still need to comply with the existing requirements in U.S. GAAP for the presentation of reclassification adjustments. Specifically, ASC 220³ gives entities the option of (1) presenting reclassification adjustments out of AOCI on the face of the statement in which OCI is presented or (2) disclosing reclassification adjustments in the footnotes to the financial statements.

Editor's Note: In preparing for the adoption of ASU 2011-05, several constituents raised concerns about whether the presentation requirements for reclassification adjustments were operational. Therefore, the FASB decided to indefinitely defer those items so that it would have enough time to adequately understand and address constituents' concerns. It is expected that the FASB will further discuss the presentation of reclassification adjustments in 2012.

What the ASU Does *Not* Change

The primary provisions of ASU 2011-05 eliminated the current option under U.S. GAAP for entities to report components of comprehensive income in a statement of shareholders' equity. Instead, entities will be required to present components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. ASU 2011-12 does not defer, or otherwise change, this aspect of ASU 2011-05. In addition, ASU 2011-05 does not change the items that must be reported in OCI, nor does it change the current option for entities to

¹ 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*.

² FASB Accounting Standards Update No. 2011-05, *Presentation of Comprehensive Income*.

³ FASB Accounting Standards Codification (ASC) Topic 220, *Comprehensive Income*.

present components of OCI gross or net of the effect of income taxes, provided that such tax effects are presented in the statement in which OCI is presented or disclosed in the notes to the financial statements.

Editor's Note: See Deloitte's June 17, 2011, [Heads Up](#) for further details about the provisions of ASU 2011-05.

Convergence With IFRSs

As part of the original joint project to amend the presentation requirements for OCI, in June 2011 the IASB issued corresponding guidance to amend IAS 1.⁴ Like ASU 2011-05, those amendments required entities to display the components of comprehensive income in either a single statement or two separate but consecutive statements. However, unlike ASU 2011-05, the IASB's new guidance gave entities an option to present reclassification adjustments in either "the statement(s) of profit or loss and other comprehensive income or in the notes." Accordingly, during the indefinite deferral period, the presentation options between current U.S. GAAP and IFRSs will be more closely aligned.

Effective Date and Transition

ASU 2011-12 and ASU 2011-05 share the same effective date. That is, the deferral of the provisions related to reclassification adjustments and the remaining provisions of ASU 2011-05 are effective for public companies, for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the effective date is for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. The new guidance must be applied retrospectively, with early adoption permitted.

⁴ IAS 1, *Presentation of Financial Statements*.

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