financial executives international

September 20, 2011

Ms. Leslie Seidman
Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Dear Leslie,

The Committee on Corporate Reporting of Financial Executives International is writing to share its insights into certain interpretive and implementation issues that have arisen with respect to ASU 2011-05, Comprehensive Income. As this ASU is effective in the first quarter of 2012 for calendar year reporting companies, we believe that these matters should be addressed as soon as possible. The Committee stands ready to assist the Board with that effort.

FEI is a leading international organization of 15,000 members, including Chief Financial Officers, Controllers, Treasurers, Tax Executives and other senior financial executives. CCR is a technical committee of FEI, which reviews and responds to research studies, statements, pronouncements, pending legislation, proposals and other documents issued by domestic and international agencies and organizations. This document represents the views of CCR and not necessarily the views of FEI or its members individually.

During the CCR discussion of this topic at our quarterly meeting last week, it was observed that the questions and issues we are raising related to the ASU are “level 2” matters, meaning they were not headline issues (such as whether the traditional earnings statement ought to be replaced and how net earnings should be presented) but they are nevertheless important. In a normal environment, constituents would have been able to spend more time on this topic and, perhaps, much of this could have been avoided through having the opportunity to conduct a more thorough analysis during the Exposure Draft process. However, the concurrent exposure of the major MOU projects has stretched our technical resources thin and many of us viewed this project as a relatively simple presentation change. Of necessity, we spent more time on leasing, revenue recognition and financial instruments. Our reason for raising this matter is that it bespeaks caution as to the process for finalizing these major MOU projects. We could envision similar level 2 issues going undetected if constituents are not provided sufficient time to thoroughly evaluate the revised proposed standards.

While members of CCR have already shared with the FASB staff in detail the specific issues that have been identified to date, we have summarized each of them below for the benefit of the Board.

1. *Availability of information for separate presentation of reclassification adjustments in the statement of earnings.*

CCR could understand how this information might be assumed to be readily available since it is literally the other side of the reclassification journal entry. In practice, however, the offsets are known at the level in the reporting structure where the journal entries are made. In a decentralized reporting environment, such work frequently is distributed among hundreds of reporting components. Since there was no pre-existing requirement to capture and report this information, many of our members have indicated that this data is not currently available at the consolidated level without some form of supplemental data collection effort.

For many of our member companies, this issue is exacerbated by the fact that some or all of these reclassifications may be capitalized for some period of time (e.g., as part of the cost of finished goods inventory or as a capitalizable element of fixed assets). Those entities indicate that tracking and reporting mechanisms do not presently exist to determine when and how these adjustments are recycled through earnings. Those companies indicate that, at a minimum, they will need additional time to develop such mechanisms and they have raised questions regarding the cost-benefit of implementing such mechanisms.

While the Board may ultimately conclude that it still intends to require disclosure of reclassification adjustments affecting the statement of earnings, we believe that it will be necessary to give reporting entities more time to comply and that the Board should provide the option to report this information outside of the statement of earnings. These matters are further discussed below.

2. *Interim reporting requirements*

CCR observes that because interim statements are permitted to be more condensed than annual statements, the likelihood that the earnings statement captions would be the same for interim and annual statements is considerably less than 100%. In those circumstances in which the interims are highly condensed, the disclosure of the OCI reclassification components is unlikely to be very useful. In addition, given the time constraints and issues raised in point (1) above, the added challenge of collecting, analyzing and reporting this information during considerably shorter interim reporting cycles argues in favor of this being a requirement that should apply only to annual statements.

CCR observes that the amendments to the Interim Period Reporting guidance in the ASU appear to provide for more modest changes to the existing requirement to report the total of comprehensive income in the notes. The amended ASU reads as follows:

> Interim-Period Reporting
220-10-45-18 Subtopic 270-10 clarifies the application of accounting principles and reporting practices to interim financial information, including interim financial statements and summarized interim financial data of publicly traded companies issued for external reporting purposes. An entity shall report the components of net income and other comprehensive income and total for comprehensive income in condensed financial statements of interim periods.

Based on the nature of the amendments above, CCR believes that the Board has discretion to ameliorate the burden and difficulty of this requirement depending on how it chooses to clarify what is expected to be reported in interim statements. For example, if the Board decides not to mandate the same level of reporting in both interim and annual statements, these new reporting requirements would be much more manageable from an interim standpoint. As the SEC has historically provided additional guidance on the form and content of interim financial statements, we have included the SEC Staff in the distribution of this letter.

3. Complexity of the Earnings Statement

As our member companies are creating mock displays of their new earnings statements, they are learning that the requirement to present the reclassification adjustments on the face is making the statement of earnings overly complex, particularly for those reporting entities that utilize all of the OCI components. For example, the offset to cash flow hedge reclassification adjustments could affect many different earnings captions (e.g., revenue, cost of goods, costs of services, SG&A, interest expense, etc.) and any particular earnings statement caption can have multiple OCI reclassification adjustments. As a result, the draft earnings statements of our member companies look very complex, having many new line items and subtotals.

CCR observes that in its revisions to IAS 1, the IASB has provided reporting enterprises with the option to provide this information in the notes to the financial statements. Specifically, paragraph 94 of IAS 1, as amended, the standard states:

An entity may present reclassification adjustments in the statement(s) of profit or loss and other comprehensive income or in the notes. An entity presenting reclassification adjustments in the notes presents the components of other comprehensive income after any related reclassification adjustments.

The Committee notes that earnings statement is the seminal statement investors look at because it reports on how well operationally the company is doing. Accordingly, it is important that content on the face be clear and concise and not obscured by detailed disclosure elements. CCR suggests that the Board provide US GAAP reporting entities with other options to present the reclassification adjustments (e.g., in footnotes to the affected captions at the bottom of the statement, parenthetically on the face, in the notes, or cross-referencing to the Consolidated Statement of Comprehensive Income) rather than embedding them in the body of the earnings statement itself. The objective of these alternatives is to make the statement less complex to read and understand.

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CCR has established an ad hoc working group composed of a diverse group of companies to assist the Board in resolving the above issues. We would be pleased to meet with members of the Board and Staff at your earliest convenience.

While these matters are under review, we urge the Board to take the additional step of deferring the effective date of this ASU requirement to annual periods ending after December 15, 2012. This will allow more time for these issues to be more thoroughly considered and remedial actions to be implemented in an orderly manner. We note that this will more closely align with effective date for changes to IAS 1. We sincerely appreciate the Board's attention to this matter.

Sincerely,

Loretta Cangialosi

Loretta V. Cangialosi
Chairman, Committee on Corporate Reporting
Financial Executives International

Cc: James Kroeker, SEC Chief Accountant