

From: [Gregg Nelson](#)
To: [Director - FASB](#)
Subject: File Reference 2011-240, Comprehensive Income (Topic 220)
Date: Monday, November 21, 2011 3:22:32 PM
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Importance: High

November 21, 2011

Leslie F. Seidman, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

File Reference 2011-240
(sent via e-mail to director@fasb.org)

Proposed ASU: Comprehensive Income (Topic 220) – 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

Dear Ms. Seidman:

The International Business Machines Corporation (“IBM” or “the company”) would like to take the opportunity to thank the Board for considering the deferral of the requirement to disclose reclassification adjustments of components of other comprehensive income (OCI) directly on the face of the income statement. We agree with the Board’s decision, and as we expressed in our September 23, 2011 comment letter on this topic, we propose that this requirement be permanently rescinded for the reasons stated below.

The main issue is that individual line items within OCI may be reclassified to multiple line items on the income statement. This will cause numerous additional line items to be included on the face of the income statement, creating significant, unnecessary “clutter” for users of the financial statements. In our case, we will have to reclassify prior service cost amortization and net changes in retirement-related benefit plans to six new lines within the cost section of the income statement. Cash flow hedges will have to be reclassified to five new income statement lines – two within cost and three within expense and other income.

In addition, certain pension-related costs reclassified out of OCI are included in cost pools and subsequently capitalized as inventory or PP&E. These amounts immediately lose their nature, and the OCI portion related to capitalization is not tracked. Thus, when inventory is subsequently sold or PP&E is depreciated, a portion of the cost of sales / depreciation would include amounts previously reclassified from OCI. We are uncertain whether the intent of ASU 2011-05 Comprehensive Income (Topic 220): Presentation of Comprehensive Income was for entities to track such amounts. If this is a requirement, we would certainly question the usefulness of this information and the cost/benefit of identifying and tracking this information. This capability does not exist in our financial systems today.

We feel that this reporting requirement creates unnecessary financial statement clutter and does not serve the best interests of financial

statement users. It obfuscates the financial summary of the company that we believe the face of the income statement should provide. We also believe that this presentation of OCI reclassifications has the potential to confuse financial statement users and may give these reclassifications more prominence than needed to accomplish the transparency objectives of the standard.

We propose that the detailed reclassifications to the income statement be disclosed only in the statement of comprehensive income so that they do not need to be repeated on the face of the income statement. The income statement could also include a reference to the statement of comprehensive income which would immediately follow the income statement as required. However, we would prefer that such details be disclosed in a footnote to the financial statements or in a supplemental table immediately following the income statement. We believe either option will provide the desired transparency and improve readability.

In addition, we believe that the guidance in ASU 2011-05 on interim reporting is not clear as to the level of detail required for interim financial statements. We encourage the Board to provide clarity on this issue and require only summarized information for each component of OCI and a total for income tax.

Thank you for your attention on this issue. If you have any questions, please do not hesitate to contact me at 914-766-2008 or at gln@us.ibm.com.

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