

Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5166
Norwalk, CT 06856-5116

21 November 2011

Re: Proposed Accounting Standards Update, “Deferral of 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. Cospers:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update, “Deferral of Effective Date for Amendments to the Presentation of Reclassification of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05” (the Proposed Update).

We support the proposal to defer the effective dates of the requirement in Accounting Standards Update 2011-05 (ASU 2011-05) to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income (AOCI) on the components of net income and other comprehensive income (OCI) for the reasons stated in the Proposed Update. We believe the deferral should be permanent.

We believe the Financial Accounting Standards Board (FASB or Board) should require companies to present amounts reclassified out of AOCI and that they should be permitted to either present those amounts on the face of the financial statement in which the components of OCI are presented or disclose those amounts in the notes to the financial statements. We do not believe a requirement to display reclassification adjustments on the face of the financial statements would be a significant improvement over footnote disclosure.

We do not believe the presentation of reclassification adjustments into net income whether on the face of the financial statements or through footnote disclosure should be required. We do not support the disclosure of the amount of reclassification adjustments into net income due to the complexity associated with amounts that are capitalized on the balance sheet (e.g., in inventory, internally developed assets, loan origination costs and deferred acquisition costs) after being reclassified out of AOCI. Once capitalized, such amounts may flow through net income indirectly via cost of goods sold, depreciation, amortization, impairment or gain or loss on sale. For example, a company may have an asset group that includes reclassifications out of AOCI as part of the capitalized cost for certain assets that are subsequently subject to impairment under ASC 360. In this situation, companies would face challenges in identifying the portion of the impairment that related to previous AOCI reclassifications that are now recorded in net income - particularly when only

certain assets in the asset group have been impaired or partially impaired. Inventory subject to lower of cost or market or obsolescence adjustments would pose similar complexities - complexities that would only be increased under LIFO.

We also do not believe the Board should require presentation of reclassification adjustments into net income when there are no clear underlying principles for the recognition of OCI items or for the reclassification of such items through net income. In our response to the Boards' October 2008 discussion paper, *Preliminary Views on Financial Statement Presentation*, and the exposure draft of ASU 2011-05, we pointed out that the Board should resolve the conceptual issue of what items of OCI are supposed to represent. The Board has yet to address this conceptual question, and has no current plans to proceed with a broader project on performance reporting to deal with the issue. We continue to believe this fundamental issue should be addressed by the Board. Appendix A to this letter provides our detailed responses to the Questions for Respondents included in the Proposed Update.

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We would be pleased to discuss our comments with Board members or the FASB staff at your convenience.

Very truly yours,

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

Appendix A - Responses to specific questions raised in the Proposed Accounting Standards Update, 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

Question 1:

Do you agree with the deferral? Why or why not?

Response:

We support the deferral of the requirement to present reclassification of items of AOCI on the face of the financial statements. We believe the deferral should be permanent. We agree with the feedback the Board has received from various stakeholders that reclassifications may clutter the financial statements. We also agree that companies may face challenges in determining when and how much of AOCI is recognized in net income for items previously capitalized on the balance sheet after being reclassified out of AOCI. Once capitalized, such amounts may flow through net income indirectly via cost of goods sold, depreciation, amortization, impairment or gain or loss on sale. More complex companies with multiple reporting divisions may face even greater challenges in identifying components of OCI included in net income - particularly companies whose accounting is decentralized.

We note the Proposed Update also contains changes to interim reporting requirements. ASU 2011-05 required that the components of net income and OCI and the total for comprehensive income to be reported in condensed financial statements of interim periods. However, the Proposed Update would require a company to report a total for comprehensive income in condensed financial statements of interim periods in one statement or in two consecutive statements. Based on a literal reading of this sentence, it would appear that only the total for other comprehensive income and not the components of OCI would be presented in one statement or two consecutive statements in the interim financial statements. That is, it is unclear whether it is the Board's intention to require interim reporting in a single statement or two consecutive statements that presents only the total for comprehensive income or whether the interim statement(s) would also be required to present the components of OCI.

Question 2:

Are there alternatives that the Board should consider for presenting reclassifications out of accumulated other comprehensive income that would be more cost effective than the one required by Update 2001-05?

Response:

We do not believe companies face challenges presenting the reclassifications out of AOCI. We believe the challenges companies face relate to the presentation of reclassification adjustments into net income.

However, we believe that the details of reclassifications out of AOCI should be able to be presented in the footnotes. We do not believe a requirement to present the effects of reclassification adjustments on the face of the financial statements for each component of AOCI would be a significant improvement over footnote disclosure. As noted previously, we do not believe presentation of reclassification adjustments into net income whether on the face of the financial statements or through footnote disclosure should be required due to the general lack of principles underlying such reclassifications (and OCI related accounting) as well as the related complexity in computing such amounts.

We also suggest the Board consider whether additional guidance may be needed as it relates to the presentation of reclassification adjustments for available-for-sale securities. The Basis for Conclusions indicates that a requirement to present reclassification adjustments in both net income and OCI would “make transparent any earnings resulting from strategic selling of appreciated financial instruments previously reported in other comprehensive income.” ASC 220-10-55-20 indicates that a company may follow a practice of recognizing all unrealized gains and losses on available-for-sale securities in AOCI before recognizing them as realized gains and losses in net income. If a company applies that practice, the amount of the reclassification adjustment in net income would be equal to the total realized gains and losses when the securities are sold and the goal of providing users with information about the composition of a current period’s net income and OCI may not be achieved. On the other hand, if a company follows a practice of recognizing only unrealized gains and losses through the last reporting period before sale, a distinction between current period and prior period gains and losses would be made. Under the latter practice the amount reported as a reclassification adjustment would depend on whether a company reports annually or quarterly.

Question 3:

If you provide an alternative in Question 2 above, please explain how your alternative would better serve the needs of users in the financial statements than the current requirements.

Response:

Because we support the current requirements for presenting reclassification adjustments out of AOCI, this question is not applicable.