



Ernst & Young LLP  
5 Times Square  
New York, NY 10036  
Tel: 212 773 3000  
www.ey.com

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

15 October 2012

**Re: Proposed Accounting Standards Update, *Presentation of Items Reclassified Out of Accumulated Other Comprehensive Income***

Dear Ms. Cospers:

We appreciate the opportunity to comment on the Proposed Accounting Standards Update, *Presentation of Items Reclassified Out of Accumulated Other Comprehensive Income* (the Proposed Update).

We support the Board's decision to permit the presentation of items reclassified out of accumulated other comprehensive income (AOCI) in the notes to the financial statements rather than requiring they be presented on the face of the financial statements as previously proposed.<sup>1</sup> We are also supportive of the Board's decision not to require breakout and disclosure of amounts included in net income for items that are not reclassified into net income in their entirety (e.g., items that are capitalized on reclassification out of AOCI and recognized in income at a later date).

However, we continue to be concerned with the Board's piecemeal approach to other comprehensive income (OCI). While we prefer note disclosure of such information to presentation on the face of the financial statements, we continue to question the relevance of such information 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 drafts of ASU 2011-05 and ASU 2011-12, we pointed out that the Board should resolve the conceptual issue of what items of OCI are supposed to represent. We continue to hold that view. From our perspective, the Board has yet to address this conceptual question, and as we understand it 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 and would prefer it to be completed before any expansion of the use of OCI or related disclosure.

The Board has also noted that the proposed disclosure would be an improvement because it would present in one place information about the amounts reclassified.<sup>2</sup> While presenting information in one place satisfies requests of certain users, we struggle with requiring redundant disclosures at a time

---

<sup>1</sup> ASU 2011-05 required that companies present reclassification adjustments for each component of AOCI in both net income and OCI on the face of the financial statements. The presentation of reclassification adjustments for each component of AOCI into net income on the face of the financial statements was deferred by ASU 2011-12.

<sup>2</sup> Proposed Update, *Summary and Questions for Respondents*

when we believe disclosure overload exists, largely because of the significant volume of required disclosures. As a result, we would suggest the Board challenge whether this duplication is its intent and/or necessary.

In the Proposed Update, we believe the Board needs to address the presentation of an outstanding noncontrolling interest in a subsidiary that is less than wholly owned (noncontrolling interest). As we understand the proposal, ASC 220-10-45-17 (as proposed) would require the total for each component in that disclosure to agree with the disclosure proposed in ASC 220-10-45-14A. Since the proposed changes to ASC 220-10-45-17 would provide information about items reclassified out of AOCI and into net income, we would generally expect the disclosure to be presented on the same basis as the statement that includes this information (i.e., the statement(s) where net income and comprehensive income are presented). For companies with noncontrolling interest, that presentation would be before noncontrolling interest. We would also expect the proposed ASC 220-10-45-14A disclosure to be presented after noncontrolling interest because it is a rollforward of the balances in the statement of stockholders' equity. (The difference in presentation between the two statements results from disclosure required by ASC 810.) We believe the Board should specifically address the difference in presentation for noncontrolling interest in the proposal.

We also question whether the Board intended to eliminate the option for a company to present reclassification adjustments out of AOCI on the face of the statement where comprehensive income is presented. As written, it appears that the changes to ASC 220-10-45-17 in the Proposed Update eliminate this option.

This proposal continues the recent trend of greatly expanding interim disclosure requirements. Given the significant time constraints imposed by interim reporting deadlines and the general premise that interim reporting is different from annual reporting, we believe the Board should use a high threshold before requiring additional interim disclosure. We question whether the proposed disclosures meet this threshold.

Appendix A to this letter provides our detailed responses to the Questions for Respondents included in the Proposed Update.

\* \* \* \* \*

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'.

**Responses to specific questions raised in the Proposed Accounting Standards Update, *Presentation of Items Reclassified Out of Accumulated Other Comprehensive Income***

**Question 1:**

The proposed amendments would require an entity to provide enhanced disclosures to present separately by component reclassifications out of accumulated other comprehensive income. In addition, an entity would be required to provide a tabular disclosure of the effect of items reclassified out of accumulated other comprehensive income on the respective line items of net income, to the extent that the items reclassified are required under U.S. GAAP to be reclassified to net income in their entirety. In addition, for other items not required under U.S. GAAP to be reclassified in their entirety to net income, the tabular disclosure would require only a cross-reference to other disclosures providing additional detail about these reclassifications. Would the proposed disclosures provide useful information to users of financial statements? If not, please explain why.

**Response:**

We support requiring the presentation of items reclassified out of AOCI in the notes to the financial statements rather than on the face of the financial statements as previously proposed. We are also supportive of the Board's decision to not require breakout and disclosure of amounts included in net income for items that are not reclassified into net income in their entirety (e.g., items that are capitalized on reclassification out of AOCI and recognized in income at a later date). However, we believe the usefulness of the disclosures that are proposed is compromised by the lack of a conceptual basis for OCI and related reclassifications.

We also believe the Board needs to address the presentation of noncontrolling interest. This is because the proposed changes to ASC 220-10-45-17 appear to require the total for each component in that disclosure to agree with the disclosure proposed in ASC 220-10-45-14A. Since the proposed changes to ASC 220-10-45-17 would provide information about items reclassified out of AOCI and into net income, we would generally expect this disclosure to be presented on the same basis as the statement that includes this information (i.e., statement(s) where net income and comprehensive income are presented). For companies with noncontrolling interest, that presentation would be before noncontrolling interest. We would also generally expect that the proposed disclosure in ASC 220-10-45-14A would be presented after noncontrolling interest since this disclosure is a rollforward of the balances in the statement of stockholders' equity. The difference in presentation between the two statements (i.e., the statement(s) where net income and comprehensive income are presented and the statement of stockholders' equity) is because of disclosure required by 810-10-50-1A.<sup>1</sup> Given that

---

<sup>1</sup> Among other disclosures, ASC 810-10-50-1A requires the amount for both net income and comprehensive income attributable to the parent and net income and comprehensive income attributable to the noncontrolling interest to be reported in the statement in which net income and comprehensive income are presented in addition to consolidated net income and comprehensive income. It also requires companies to reconcile the carrying amount of total equity (net assets), equity (net assets) attributable to the parent and equity (net assets) attributable to the noncontrolling interest in a subsidiary that is less than wholly owned at the beginning and end of the period either in the statement of shareholders' equity or in the notes to the financial statements. That reconciliation must include each component of OCI.

information included in the proposed disclosure in ASC 220-10-45-14A and ASC 220-10-45-17 is required to agree by component, we believe the Board should address this difference in presentation for noncontrolling interest in the proposal (i.e., before noncontrolling interest in the proposed ASC 220-10-45-17 disclosure and after noncontrolling interest in the proposed ASC 220-10-45-14A disclosure).

We also question whether the Board intended to eliminate the option for companies to present reclassification adjustments out of AOCI on the face of the statement where comprehensive income is presented. As written, we believe the Proposed Update would eliminate this option. If it is the Board's intent, we believe the Board should update its Illustrative Guidance, ASC 220-10-55-7 through 55-9, to reflect this change.

We also note that this proposal continues the recent trend of greatly expanding interim disclosure requirements. Given the significant time constraints imposed by interim reporting deadlines and the general premise that interim reporting is different from annual reporting, we believe the Board should use a high threshold before requiring additional interim disclosure. We question whether the proposed disclosures meet this threshold.

**Question 2:**

**Would an entity incur significant costs because of the proposed amendments in Question 1? If so, please explain the nature of those costs. The proposed amendments also would require an entity to provide the disclosures about the effect of reclassifications out of accumulated other comprehensive income by component both on an interim basis and on an annual basis. Would an entity incur significant costs because of the proposed requirement for interim-period disclosures? If so, please explain the nature of those costs.**

**Response:**

Substantially all of the information that this Proposed Update would require already is required to be disclosed elsewhere in the financial statements under US GAAP.<sup>2</sup> While presenting information in one place satisfies requests of certain users, we struggle with requiring redundant disclosures at a time when we believe disclosure overload exists, largely because of a significant volume of required disclosures. As a result, we would suggest the Board challenge whether this duplication is its intent and/or necessary. If the Board decides to require the disclosures they have proposed, we believe the FASB should explicitly address the benefit of duplicating information required by other Codification Topics albeit in a different format (i.e., tabular disclosure). See Appendix B for a list of existing disclosure in other Codification Topics that require information to be disclosed that is also required by the Proposed Update. If the Board decides to move forward at this time, an alternative the Board could consider is to state the tabular disclosure fulfills the requirements in Appendix B.

As noted above, we have concerns about the interim period requirement in the Proposed Update. We question whether this added interim disclosure is necessary for the reasons noted.

---

<sup>2</sup> Proposed Update, *Summary and Questions for Respondents*

**Question 3:**

The proposed guidance would apply to both public entities and nonpublic entities (that is, private companies). Should any of the proposed amendments be different for nonpublic entities? If so, please identify those proposed amendments and describe how or why you think they should be different.

**Response:**

We are not aware of any attributes that would make this information, much of which is already required by other GAAP, more relevant to a user of financial statements for a public company than a nonpublic company. That being said, given that most of the disclosures are already required by other standards, we would not object to making them public company only disclosures.

**Question 4:**

The Board has discussed the possibility of making these proposed amendments effective for public entities as early as for annual reporting periods ending after December 15, 2012, and to delay the effective date for nonpublic entities by one year. Would those effective dates be practicable? If not, please explain why.

**Response:**

If the Board decides to maintain the requirement for tabular disclosure, we do not believe an effective date of years ending after 15 December 2012 is appropriate. As noted above, we believe the Board needs to provide clarification on noncontrolling interests. Furthermore, we believe the Board also should update its Illustrative Guidance if it intends to eliminate the option to present the reclassification adjustments out of AOCI on the face of the financial statements. ASC 220-10-55-7 through 55-9 would need to be updated to reflect this change. We believe insufficient time exists for the Board to address these issues, make amendments, and issue a new standard and for preparers to implement that new standard for years ending after 15 December 2012.

In addition, even without any changes, substantially all of the information in the Proposed Update is already required to be disclosed elsewhere in the notes to the financial statements. Therefore, we believe the Board should not rush to make the Proposed Update effective for years ending after 15 December 2012 because unintended consequences may arise.

We would like to share this appendix with the Board as we found it useful in reviewing the Board's proposal. This appendix provides a list of existing disclosures in other Codification Topics that require information to be disclosed that is also required by the Proposed Update.

Codification Reference	Disclosure Excerpt
<b>AOCI Component: Available-for-sale securities</b>	
ASC 320-10-50-8Bd	50-8B For each interim and annual reporting period presented, an entity shall disclose a tabular rollforward of the amount related to credit losses recognized in earnings in accordance with paragraph 320-10-35-34D, which shall include at a minimum, all of the following: <ul style="list-style-type: none"> <li>a. ...</li> <li>d. Reductions for securities for which the amount previously recognized in other comprehensive income was recognized in earnings because the entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis</li> <li>e. ...</li> </ul>
ASC 320-10-50-9d	50-9 For each period for which the results of operations are presented, an entity shall disclose all of the following: <ul style="list-style-type: none"> <li>a. ...</li> <li>d. The amount of the net unrealized holding gain or loss on available-for-sale securities for the period that has been included in accumulated other comprehensive income and the amount of gains and losses reclassified out of accumulated other comprehensive income into earnings for the period</li> <li>e. ...</li> </ul>
<b>AOCI Component: Defined benefit pension items</b>	
ASC 715-20-50-1i and 50-1j	50-1 An employer that sponsors one or more defined benefit pension plans or one or more defined benefit other postretirement plans shall provide the following information, separately for pension plans and other postretirement benefit plans. Amounts related to the employer's results of operations shall be disclosed for each period for which a statement of income is presented. Amounts related to the employer's statement of financial position shall be disclosed as of the date of each statement of financial position presented. All of the following shall be disclosed: <ul style="list-style-type: none"> <li>a. ...</li> <li>i. Separately the net gain or loss and net prior service cost or credit recognized in other comprehensive income for the period pursuant to paragraphs 715-30-35-11, 715-30-35-21, 715-60-35-16, and 715-60-35-25, and reclassification adjustments of other comprehensive income for the period, as those amounts, including amortization of the net transition asset or obligation, are recognized as components of net periodic benefit cost.</li> </ul>

Codification Reference	Disclosure Excerpt
	<p>j. The amounts in accumulated other comprehensive income that have not yet been recognized as components of net periodic benefit cost, showing separately the net gain or loss, net prior service cost or credit, and net transition asset or obligation.</p> <p>k. ...</p>
<b>AOCI Component: Hedges (both cash flow and net investment)</b>	
815-10-50-4Ab2	<p>50-4A An entity that holds or issues derivative instruments (and nonderivative instruments that are designated and qualify as hedging instruments pursuant to paragraphs 815-20-25-58 and 815-20-25-66) shall disclose all of the following for every annual and interim reporting period for which a statement of financial position and statement of financial performance are presented:</p> <p>a. ...</p> <p>b. The location and amount of the gains and losses on derivative instruments (and such nonderivative instruments) and related hedged items reported in any of the following:</p> <ol style="list-style-type: none"> <li>1. ...</li> <li>2. The statement of financial position (for example, gains and losses initially recognized in other comprehensive income).</li> </ol>
815-10-50-4Cb and 50-4Cc	<p>50-4C The gains and losses disclosed pursuant to paragraph 815-10-50-4A(b) shall be presented separately for all of the following by type of contract (as discussed in the following paragraph):</p> <p>a. ...</p> <p>b. The effective portion of gains and losses on derivative instruments (and nonderivative instruments) designated and qualifying in cash flow hedges and net investment hedges that was recognized in other comprehensive income during the current period.</p> <p>c. The effective portion of gains and losses on derivative instruments (and nonderivative instruments) designated and qualifying in cash flow hedges and net investment hedges recorded in accumulated other comprehensive income during the term of the hedging relationship and reclassified into earnings during the current period.</p> <p>d. ...</p>
815-30-50-1e	<p>50-1 See Section 815-10-50 for overall guidance on disclosures. An entity's disclosures for every annual and interim reporting period for which a statement of financial position and a statement of financial performance is presented shall include all of the following for derivative instruments that have been designated and have qualified as cash flow hedging instruments and for the related hedged transactions:</p> <p>a. ...</p>

Codification Reference	Disclosure Excerpt
	<p>e. The amount of gains and losses reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that the original forecasted transactions will not occur by the end of the originally specified time period or within the additional period of time discussed in paragraphs 815-30-40-4 through 40-5.</p>
815-30-50-2	<p>50-2 As part of the disclosures of accumulated other comprehensive income, pursuant to paragraphs 220-10-45-14 through 45-14A, an entity shall separately disclose all of the following:</p> <ul style="list-style-type: none"> <li>a. The beginning and ending accumulated derivative instrument gain or loss</li> <li>b. The related net change associated with current period hedging transactions</li> <li>c. The net amount of any reclassification into earnings.</li> </ul>
<b>AOCI Component: Cumulative translation adjustment</b>	
830-30-45-20a, 45-20b and 45-20d	<p>45-20 At a minimum, the analysis shall disclose all of the following:</p> <ul style="list-style-type: none"> <li>a. Beginning and ending amount of cumulative translation adjustments</li> <li>b. The aggregate adjustment for the period resulting from translation adjustments (see paragraph 830-30-45-12) and gains and losses from certain hedges and intra-entity balances (see paragraph 830-20-35-3).</li> <li>c. ...</li> <li>d. The amounts transferred from cumulative translation adjustments and included in determining net income for the period as a result of the sale or complete or substantially complete liquidation of an investment in a foreign entity (see paragraph 830-30-40-1).</li> </ul>