

FINANCIAL ACCOUNTING SERIES



ACCOUNTING STANDARDS UPDATE

No. 2011-12
December 2011

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

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board
of the Financial Accounting Foundation

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401 MERRITT 7, PO BOX 5116, NORWALK, CONNECTICUT 06856-5116

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Summary

Why Is the FASB Issuing This Accounting Standards Update (Update)?

Stakeholders raised concerns that the new presentation requirements (pending paragraphs 220-10-45-17 through 45-18, 220-10-55-7 through 55-8, 220-10-55-9, and 220-10-55-18 of the *FASB Accounting Standards Codification*[®]) about reclassifications of items out of accumulated other comprehensive income would be difficult for preparers and may add unnecessary complexity to financial statements. In addition it is difficult for some stakeholders to change systems in time to gather the information for the new presentation requirements by the effective date of Update 2011-05. Given these issues, they asked the Board to reconsider whether it is necessary to require entities to present reclassification adjustments by component in both the statement where net income is presented and the statement where other comprehensive income is presented for both interim and annual financial statements. Because those pending paragraphs are effective on a retrospective basis for public entities for annual periods beginning after December 15, 2011, and interim periods within those years, those stakeholders asked the Board, at a minimum, to defer the effective date pertaining to reclassification adjustments out of accumulated other comprehensive income in Accounting Standards Update 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, until the Board is able to reconsider those paragraphs.

Who Is Affected by the Amendments in This Update?

All public and nonpublic entities that report items of other comprehensive income in any period presented may be affected by the changes in this Update.

What Are the Main Provisions?

In order to defer only those changes in Update 2011-05 that relate to the presentation of reclassification adjustments, the paragraphs in this Update supersede certain pending paragraphs in Update 2011-05. The amendments are being made to allow the Board time to redeliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. While the Board is considering the operational concerns about the presentation requirements for reclassification adjustments and the needs of financial statement users for additional information about reclassification adjustments, entities should continue to report

reclassifications out of accumulated other comprehensive income consistent with the presentation requirements in effect before Update 2011-05.

All other requirements in Update 2011-05 are not affected by this Update, including the requirement to report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. Public entities should apply these requirements for fiscal years, and interim periods within those years, beginning after December 15, 2011. Nonpublic entities should begin applying these requirements for fiscal years ending after December 15, 2012, and interim and annual periods thereafter.

How Do the Main Provisions Differ from Current U.S. Generally Accepted Accounting Principles (GAAP) and Why Are They an Improvement?

Under the amendments in Update 2011-05, entities are required to present reclassification adjustments and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, by component of other comprehensive income. In addition, the amendments in Update 2011-05 require that reclassification adjustments be presented in interim financial periods.

The amendments in this Update supersede changes to those paragraphs in Update 2011-05 that pertain to how, when, and where reclassification adjustments are presented.

The objective of Update 2011-05 was to help financial statement users better understand the causes of an entity's change in financial position and results of operations. However, it is important that the benefits of improving the usefulness of financial statement information to users of financial statements be justified by the related costs. The Board received more information about the systems challenges for preparers to comply with the presentation requirements for reclassifications out of accumulated other comprehensive income by the effective date since the issuance of Update 2011-05. The information received caused the Board to reassess the costs and benefits of those provisions in Update 2011-05 related to reclassifications out of accumulated other comprehensive income. Due to the time required to properly make such a reassessment and to evaluate alternative presentation formats, the Board decided that it is necessary to reinstate the requirements for the presentation of reclassifications out of accumulated other comprehensive income that were in place before the issuance of Update 2011-05.

When Will the Amendments Be Effective?

The amendments in this Update are effective at the same time as the amendments in Update 2011-05 so that entities will not be required to comply with the presentation requirements in Update 2011-05 that this Update is deferring. For this reason, the transition guidance in paragraph 220-10-65-2 is consistent with that for Update 2011-05. The amendments in this Update are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter.

How Do the Provisions Compare with International Financial Reporting Standards (IFRS)?

Under IFRS, entities report fewer items in other comprehensive income, and they are not required to subsequently reclassify all items of accumulated other comprehensive income to net income (profit or loss). Under IAS 1, *Presentation of Financial Statements*, entities must present reclassification adjustments, only by component of other comprehensive income, either in the statement(s) containing profit or loss and other comprehensive income or in the notes to the financial statements.

Amendments to the *FASB Accounting Standards Codification*[®]

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 3–7. In some cases, to put the change in context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

2. Amendments are made to the current content instead of the pending content from Update 2011-05, because the pending content for the paragraphs of Subtopic 220-10, which are amended below, is being superseded as of the issuance date of this Update. Therefore, the pending content is not shown here as struck-out text. The paragraphs in this Update supersede the related paragraphs of pending content from Update 2011-05.

Amendments to Subtopic 220-10

3. Amend paragraphs 220-10-45-17 through 45-18, with a link to transition paragraph 220-10-65-2, as follows:

Comprehensive Income—Overall

Other Presentation Matters

220-10-45-17 An entity may ~~display~~present reclassification adjustments out of accumulated other comprehensive income on the face of the ~~financial~~ statement in which the components of other comprehensive income are presented, ~~comprehensive income is reported~~, or it may disclose those reclassification adjustments in the notes to the financial statements. Therefore, for all classifications of other comprehensive income, an entity may use either a gross display on the face of the financial statement or a net display on the face of the financial statement and disclose the gross change in the notes to the financial statements. If displayed gross, reclassification adjustments are reported separately from other changes in the respective balance; thus, the total change is reported as two amounts. If displayed net, reclassification adjustments are combined with other changes in the other comprehensive income item balance; thus, the total change is reported as a single amount. Gross and net displays are illustrated in Example 1 (see paragraph 220-10-55-4). ~~An illustration~~ Cases A and B (see paragraphs 220-10-55-21 through 55-26) ~~illustrate~~ of the calculation

of reclassification adjustments for **available-for-sale equity and debt securities** is included in Example 2 (see paragraph 220-10-55-18).

> **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 a total for comprehensive income in condensed financial statements of interim periods in a single continuous statement or in two consecutive statements.

4. Amend paragraphs 220-10-55-7 through 55-8, 220-10-55-9, and 220-10-55-18 and related headings, with a link to transition paragraph 220-10-65-2, as follows:

Implementation Guidance and Illustrations

> > **~~Format A: One-Statement Approach~~Single Continuous Statement**

220-10-55-7 The following ~~table~~ illustrates the statement of ~~income and comprehensive income~~ for the year ended December 31, ~~20X0~~ 201X, with other comprehensive income components shown net of tax effects.

Entity XYZ
Consolidated Statement of Income and Comprehensive Income
Year Ended December 31, 20X0 201X

Revenues		\$ 140,000	
Expenses		(25,000)	(25,033)
Other gains and losses		8,000	
Gain on sale of securities		2,000	2,500
Income from operations before tax		125,000	125,467
Income tax expense		(34,250)	(31,367)
Income before extraordinary item		90,750	94,100
Extraordinary item, net of tax		(30,500)	
[Net income		60,250	63,600]
<u>Less: net income attributable to the noncontrolling interest</u>	<u>\$ (12,720)</u>		
<u>Net income attributable to Entity XYZ shareholders</u>	<u>50,880</u>		
<u>Earnings per share</u>			
<u>Basic and diluted</u>	<u>0.46</u>		
Other comprehensive income, net of tax:			
Foreign currency translation adjustments ^(a)		8,000	
Unrealized gains on securities: ^(b)			
Unrealized holding gains arising during period	\$ 13,000		
Less: reclassification adjustment for gains included in net income	<u>(1,500)</u>	11,500	
Defined benefit pension plans: ^(c)			
Prior service cost arising during period	(1,600)		
Net loss arising during period	(1,000)		
Less: amortization of prior service cost included in net periodic pension cost	<u>100</u>	(2,500)	
[Other comprehensive income		<u>17,000</u>] 1
[Comprehensive income		<u>\$ 80,250</u>] \$ 80,600]
<u>Less: comprehensive income attributable to the noncontrolling interest</u>		<u>(16,120)</u>	
<u>Comprehensive income attributable to Entity XYZ shareholders</u>		<u>\$ 64,480</u>	

- (a) It is assumed that there was no sale or liquidation of an investment in a foreign entity. Therefore, there is no reclassification adjustment for this period.
- (b) This illustrates the gross display of amounts reclassified out of accumulated other comprehensive income. Alternatively, a net display can be used, with disclosure of the gross amounts (current-period gain and reclassification adjustment) in the notes to the financial statements.
- (c) This illustrates the gross display of amounts reclassified out of accumulated other comprehensive income. Alternatively, a net display can be used, with disclosure of the gross amounts (prior service cost and net loss for the defined benefit pension plans less amortization of prior service cost) in the notes to the financial statements.

220-10-55-8 Alternatively, components of other comprehensive income could be displayed/presented before tax with one amount shown for the aggregate income tax expense or benefit, as shown in the following single continuous statement of comprehensive income/benefit.

Entity XYZ
Consolidated Statement of Comprehensive Income
Year Ended December 31, 201X

<u>Revenues</u>		\$ 140,000
<u>Expenses</u>		<u>(25,033)</u>
<u>Other gains and losses</u>		8,000
<u>Gain on sale of securities</u>		<u>2,500</u>
<u>Income from operations before tax</u>		<u>125,467</u>
<u>Income tax expense</u>		<u>(31,367)</u>
<u>Income before extraordinary item</u>		<u>94,100</u>
<u>Extraordinary item, net of tax</u>		<u>(30,500)</u>
<u>Net income</u>		<u>63,600</u> 1
<u>Less: net income attributable to the noncontrolling interest</u>	<u>\$ (12,720)</u>	
<u>Net income attributable to Entity XYZ shareholders</u>	<u>50,880</u>	
<u>Earnings per share</u>		
<u>Basic and diluted</u>	<u>0.46</u>	
Other comprehensive income, before tax		
Foreign currency translation adjustments ^(a)		\$ 10,666
Unrealized gains on securities: ^(b)		
Unrealized holding gains arising during period	\$ 17,333	
Less: reclassification adjustment for gains included in net income	<u>(2,000)</u>	15,333
Defined benefit pension plans: ^(c)		
Prior service cost arising during period	(2,133)	
Net loss arising during period	(1,333)	
Less: amortization of prior service cost included in net periodic pension cost	<u>133</u>	<u>(3,333)</u>
Other comprehensive income, before tax		22,666
[Income tax expense related to items of other comprehensive income		<u>(5,666)</u> 1
[Other comprehensive income, net of tax		<u>\$ 17,000</u> 1
<u>Comprehensive income</u>		<u>80,600</u> 1
<u>Less: comprehensive income attributable to the noncontrolling interest</u>		<u>(16,120)</u>
<u>Comprehensive income attributable to Entity XYZ shareholders</u>		<u>\$ 64,480</u>

- (a) It is assumed that there was no sale or liquidation of an investment in a foreign entity. Therefore, there is no reclassification adjustment for this period.
- (b) This illustrates the gross display of amounts reclassified out of accumulated other comprehensive income. Alternatively, a net display can be used, with disclosure of the gross amounts (current-period gain and reclassification adjustment) in the notes to the financial statements.
- (c) This illustrates the gross display of amounts reclassified out of accumulated other comprehensive income. Alternatively, a net display can be used, with disclosure of the gross amounts (prior service cost and net loss for the defined benefit pension plans less amortization of prior service cost) in the notes to the financial statements.

> > Format B: Two-Statement Approach

220-10-55-9 The following tables illustrate the statements of net income and comprehensive income for the year ended December 31, 20X9, with other comprehensive income components presented net of tax effects.

Entity XYZ
Consolidated Statement of Income
Year Ended December 31, ~~20X9~~201X

Revenues	\$ 140,000	
Expenses	<u>(25,000)</u>	<u>(25,033)</u>
Other gains and losses	8,000	
Gain on sale of securities	<u>2,000</u>	<u>2,500</u>
Income from operations before tax	<u>125,000</u>	<u>125,467</u>
Income tax expense	<u>(31,250)</u>	<u>(31,367)</u>
Income before extraordinary item	<u>93,750</u>	<u>94,100</u>
Extraordinary item, net of tax	<u>(30,500)</u>	
[Net income	<u>\$ 63,250]</u>	<u>63,600]</u>
Less: net income attributable to the noncontrolling interest	<u>(12,720)</u>	
Net income attributable to Entity XYZ shareholders	<u>\$ 50,880</u>	
<u>Earnings per share</u>		
Basic and diluted	<u>0.46</u>	

Entity XYZ
Statement of Consolidated Comprehensive Income
Year Ended December 31, ~~20X9~~201X

[Net income	<u>\$ 63,250]</u>	<u>\$ 63,600]</u>
Other comprehensive income, net of tax:		
Foreign currency translation adjustments ^(a)	8,000	
Unrealized gains on securities: ^(b)		
Unrealized holding gains arising during period	\$ 13,000	
Less: reclassification adjustment for gains included in net income	<u>(1,500)</u>	11,500
Defined benefit pension plans: ^(c)		
Prior service cost arising during period	(1,600)	
Net loss arising during period	(1,000)	
Less: amortization of prior service cost included in net periodic pension cost	<u>100</u>	<u>(2,500)</u>
[Other comprehensive income	<u>17,000]</u>	
[Comprehensive income	<u>\$ 80,250]</u>	<u>80,600]</u>
Less: comprehensive income attributable to the noncontrolling interest	<u>(16,120)</u>	
Comprehensive income attributable to Entity XYZ shareholders	<u>\$ 64,480</u>	

- (a) It is assumed that there was no sale or liquidation of an investment in a foreign entity. Therefore, there is no reclassification adjustment for this period.
- (b) This illustrates the gross display of amounts reclassified out of accumulated other comprehensive income. Alternatively, a net display can be used, with disclosure of the gross amounts (current-period gain and reclassification adjustment) in the notes to the financial statements.
- (c) This illustrates the gross display of amounts reclassified out of accumulated other comprehensive income. Alternatively, a net display can be used, with disclosure of the gross amounts (prior service cost and net loss for the defined benefit pension plans less amortization of prior service cost) in the notes to the financial statements.

**> > ~~Example 2:~~Example 3: Determination and Presentation of
Reclassification Adjustments**

220-10-55-18 This Subtopic requires that an entity determine **reclassification adjustments** for each classification component of other comprehensive income. An entity may ~~display reclassification~~ present those adjustments out of accumulated other comprehensive income on the face of the financial statement in which other comprehensive income is reported, presented, or it may disclose reclassification adjustments in the notes to the financial statements. Paragraphs 220-10-45-15 through 45-17 provide the guidance on reclassification adjustments. Example 1 (see paragraphs 220-10-55-7 through 55-9) illustrates the reclassification presentation relating to unrealized gains or losses on securities and amortized prior service costs.

5. Amend paragraph 220-10-65-1 and its related heading as follows:

**> Transition Related to Accounting Standards Update No. 2011-05,
*Comprehensive Income (Topic 220): Presentation of Comprehensive
Income***

220-10-65-1 The following represents the transition and effective date information related to Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*:

- a. The pending content that links to this paragraph, except for paragraphs 220-10-45-17 through 45-18, 220-10-55-7 through 55-8, 220-10-55-9, and 220-10-55-18, which are superseded as of the issuance of Accounting Standards Update 2011-12, shall be applied retrospectively and is effective as follows:
 1. For public entities, for fiscal years, and interim periods within those years, beginning after December 15, 2011.
 2. For **nonpublic entities**, for fiscal years ending after December 15, 2012, and interim and annual periods thereafter.
- b. Early adoption of the pending content that links to this paragraph is permitted.

6. Add paragraph 220-10-65-2 and its related heading as follows:

**> Transition Related to Accounting Standards Update No. 2011-12,
*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***

220-10-65-2 The following represents the transition and effective date information related to Accounting Standards Update No. 2011-12, *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:

- a. The pending content that links to this paragraph shall be applied retrospectively and is effective as follows:
 - 1. For public entities, for fiscal years, and interim periods within those years, beginning after December 15, 2011
 - 2. For ~~{add glossary link to 1st definition}~~nonpublic entities~~{add glossary link to 1st definition}~~, for fiscal years ending after December 15, 2012, and interim and annual periods thereafter.
- b. Early adoption of the pending content that links to this paragraph is permitted.

7. Amend paragraph 220-10-00-1, by adding the following items to the table, as follows:

220-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
220-10-45-17	Amended	2011-12	12/23/2011
220-10-45-18	Amended	2011-12	12/23/2011
220-10-55-7	Amended	2011-12	12/23/2011
220-10-55-8	Amended	2011-12	12/23/2011
220-10-55-9	Amended	2011-12	12/23/2011
220-10-55-18	Amended	2011-12	12/23/2011
220-10-65-1	Amended	2011-12	12/23/2011
220-10-65-2	Added	2011-12	12/23/2011

The amendments in this Update were adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Leslie F. Seidman, *Chairman*
 Daryl E. Buck
 Russell G. Golden
 Thomas J. Linsmeier
 R. Harold Schroeder
 Marc A. Siegel
 Lawrence W. Smith

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

BC2. The amendments in this Update supersede the presentation requirements for reclassification adjustments of items out of accumulated other comprehensive income in Update 2011-05 for all entities. The intent of this Update is to defer changes to the presentation requirements for reclassifications out of accumulated other comprehensive income contained in Update 2011-05 to allow the Board time to reconsider whether changes should be made to the presentation requirements for reclassification adjustments out of accumulated other comprehensive income.

BC3. The amendments in this Update do not affect the effective date of the other presentation requirements in Update 2011-05.

Background Information

BC4. In June 2011, the FASB and the IASB issued separate amendments to their respective guidance on the presentation of comprehensive income that were convergent in many, but not all, respects. The Boards agreed that items of other comprehensive income need to be more prominently presented and decided to permit the option to present the components of comprehensive income in one or two statements. If a two-statement approach is used, the statement presenting the components of other comprehensive income and total comprehensive income must immediately follow the statement that presents net income (profit or loss). Under U.S. GAAP, Update 2011-05 removed the option to present other comprehensive income and its components in the statement of changes in stockholders' equity. The FASB issued Update 2011-05 to effect those changes together with other changes to the presentation requirements for comprehensive income.

BC5. Before the issuance of Update 2011-05, under U.S. GAAP, preparers had the option to present reclassification adjustments out of accumulated other comprehensive income either on the face of the financial statement in which comprehensive income is reported or in the notes to the financial statements. Also, before the issuance of Update 2011-05, U.S. GAAP did not require that the

effect of reclassification adjustments on the components of net income be presented in the financial statements.

BC6. The Board decided to change the presentation requirements for reclassification adjustments that affect accumulated other comprehensive income. In accordance with Update 2011-05, an entity is required to present the effect of reclassification adjustments on net income and other comprehensive income in the statement in which components of net income and the components of other comprehensive income are presented. Some stakeholders, primarily users of financial statements, indicated that this requirement will clarify the effect of reclassifications on net income. Those stakeholders also noted that this presentation will make transparent any earnings resulting from the strategic selling of appreciated financial instruments previously reported in other comprehensive income.

BC7. Other stakeholders, primarily preparers of financial statements, opposed the additional presentation requirements and cited the potential cluttering effect this requirement can have on the statements where net income is presented because it can distract users from more important information. The opponents alternatively suggested presenting the reclassification adjustments only in other comprehensive income, allowing an option of presenting the reclassification adjustments in the notes, or requiring this information to be disclosed in the notes.

BC8. In issuing Update 2011-05, the Board decided to require the presentation of reclassification adjustments on the face of (a) the financial statement that presents net income and (b) the financial statement that presents the components of other comprehensive income regardless of whether the reporting entity elects to present comprehensive income in one or two statements. Without that presentation, users may not realize that certain items of net income may have already been included in a prior period's comprehensive income. Therefore, the Board concluded that the presentation of reclassification adjustments provides users with important information about the composition of a current period's net income (profit and loss) and other comprehensive income.

BC9. Under IAS 1, an entity still may present reclassification adjustments either in the statement(s) of profit or loss and comprehensive income or in the notes to the financial statements.

Basis for Conclusions

BC10. After the issuance of Update 2011-05, stakeholders raised additional concerns about the presentation requirements of reclassification adjustments out of accumulated other comprehensive income when they began the process of implementing Update 2011-05. One concern was about the operability of the requirement to present reclassification adjustments to show the effect of

reclassifications on both the components of other comprehensive income and the components of net income in interim and annual financial statements.

BC11. Stakeholders raised the following issues:

- a. The information required for separate presentation of reclassification adjustments in the statement of net income may not be available in a timely manner, particularly because of the effective date of Update 2011-05 that requires public entities to begin reporting reclassification adjustments on the face of the financial statements as soon as the first quarter of 2012 for calendar year-end entities. Some entities noted that currently they have no processes and controls in place to collect and summarize the level of detailed information required (that is, which line item is affected and by how much) on a consolidated basis. This issue is of high concern to entities with multiple reporting divisions.
- b. Stakeholders reiterated concerns and provided additional information to demonstrate that the statement where net income is presented could become overly cluttered with detail if the reclassification adjustments must be presented within each component of net income for each corresponding component of other comprehensive income, thereby obscuring key totals.
- c. The guidance is not clear as to the level of detail required for interim financial statements. Because interim statements are permitted to be presented in a condensed format, there also is concern as to the usefulness of detailed reclassification information presented in a condensed income statement.
- d. Certain reclassifications out of accumulated other comprehensive income may initially be reported in a balance sheet account and subsequently reclassified to net income at a later date. For example, certain pension-related costs may be capitalized as inventory or fixed assets before ultimately being expensed. Entities noted that once these amounts are capitalized, the portion of the capitalization resulting from a reclassification out of accumulated other comprehensive income is not currently tracked. Some entities were unclear about whether it was the Board's intent to require entities to track this information and to report reclassification adjustments for items initially reclassified into balance sheet accounts when subsequently expensed. If this was the Board's intent, then stakeholders suggested that additional time be provided to develop methods for tracking this information.

BC12. The Investors Technical Advisory Committee discussed the above issues at its meeting in October 2011 and confirmed that it would prefer to have reclassification adjustments, and their effect on net income, presented on the face of the statement of comprehensive income. Committee members noted that such a presentation would provide users with more straightforward and detailed information that could be analyzed more easily.

BC13. At the October 21, 2011 Board meeting, the Board considered both the needs of users and the cost-benefit issues relating to the new presentation requirements. The Board concluded that it was not feasible to consider and properly weigh the costs and benefits of alternative presentation methods before the effective date of Update 2011-05. Therefore, the Board decided to propose to defer the effective date of the changes to the presentation requirements for reclassification adjustments of items out of accumulated other comprehensive income in Update 2011-05. In order to do so, the Board decided to supersede certain pending paragraphs in Update 2011-05 until the Board reconsiders the presentation requirements for reclassifications out of accumulated other comprehensive income. The Board plans to gather more input on the alternative presentation methods for reclassifications and revise the presentation requirements only after thoughtful consideration of the costs and benefits of such changes.

BC14. The Board decided that it was important to leave the main provisions of Update 2011-05 intact, that is, the requirements to present comprehensive income in one or two consecutive financial statements rather than to permit the option to present other comprehensive income in the statement of changes in stockholders' equity. Those provisions are convergent with IFRS and have been strongly supported by users of financial statements.

BC15. On November 8, 2011, the Board issued proposed Accounting Standards Update, *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*. The comment period ended on November 23, 2011, and the Board received 39 responses. The majority of respondents were preparers and auditors. Some industry organizations, a few individuals, and one large user group also responded.

BC16. Most respondents supported the proposed deferral of the requirements to present reclassification of items out of accumulated other comprehensive income by component in both the statement where net income is presented and the statement where other comprehensive income is presented. However, one large user group was strongly opposed to the deferral of the reclassification adjustments required in Update 2011-05. This user group is generally opposed to the use of other comprehensive income and the need for recycling amounts out of other comprehensive income through earnings. Many users adjust net income in their analyses of operating performance for items reported in other comprehensive income. As a result, it is important to identify when items of net income have been reclassified out of accumulated other comprehensive income to avoid double counting those items in net income for both interim and annual financial statements. Those users said that information about how reclassification adjustments affect net income is necessary to properly understand financial performance. Some users said that permitting reclassification adjustments to be presented in the footnotes may obscure information and result in a lack of

transparency. Additionally, because there is not a specified effective date for this deferral, they expressed concern that presentation requirements for items reclassified out of accumulated other comprehensive income would not be addressed in a timely manner.

BC17. Some respondents, including preparers and users of financial statements also asked the Board to clarify what information must be presented for interim, as well as annual financial statements.

BC18. Acknowledging the concern expressed by users about the need for detailed information and transparency surrounding the recycling of items reclassified out of accumulated other comprehensive income to net income, the Board is planning to expeditiously address these concerns during its deliberations on the presentation requirements for reclassification adjustments out of accumulated other comprehensive income. The Board expects to complete a project to reconsider the presentation requirements for reclassification adjustments to other comprehensive income in 2012.

Benefits and Costs

BC19. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC20. The amendments in this Update do not create new accounting requirements. Thus, the Board does not anticipate that entities will incur significant costs as a result of the amendments in this Update. The Board determined that the deferral provided by this Update may lower costs of complying with the presentation requirements in Update 2011-05 by retaining the presentation requirements for reclassifications out of accumulated other comprehensive income until after the Board can evaluate stakeholder concerns and redeliberate the presentation requirements for reclassifications of items out of accumulated other comprehensive income. The Update does not affect the principal amendments in Update 2011-05 that require convergence on most of the presentation requirements for comprehensive income.

Transition

BC21. The Board decided that the amendments in this Update should be applied retrospectively. The Board also agreed to permit early adoption because compliance with the guidance is already required under current U.S. GAAP. The Board decided not to require any transition disclosures.

Amendments to the XBRL Taxonomy

There are no proposed amendments to the XBRL taxonomy as a result of the amendments in this Update.