

FASB Interpretation No. 39

Offsetting of Amounts Related to Certain Contracts

an interpretation of APB Opinion No. 10 and FASB Statement No. 105

SUMMARY

APB Opinion No. 10, *Omnibus Opinion—1966*, paragraph 7, states that “it is a general principle of accounting that the offsetting of assets and liabilities in the balance sheet is improper except where a right of setoff exists.” This Interpretation defines *right of setoff* and specifies what conditions must be met to have that right. It also addresses the applicability of that general principle to derivative instruments and clarifies the circumstances in which it is appropriate to offset amounts recognized for those instruments in the statement of financial position. In addition, it permits offsetting of fair value amounts recognized for multiple derivative instruments executed with the same counterparty under a master netting arrangement and fair value amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from the same master netting arrangement as the derivative instruments.

This Interpretation is effective for financial statements issued for periods beginning after December 15, 1993.