

**Overview:** New FASB guidance — found in Accounting Standards Update (ASU) 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* — provides some reporting relief to companies with other comprehensive income (OCI). This article briefly reviews the OCI presentation requirements found in ASU 2011-05, explains why FASB deferred the one requirement and notes which requirements still must be met.

## FASB defers part of OCI presentation rule

The Financial Accounting Standards Board (FASB) is providing some reporting relief to companies with other comprehensive income (OCI). It recently issued Accounting Standards Update (ASU) 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*.

Even though the guidance puts off *one* requirement related to OCI presentation, companies remain obligated to begin complying with the other requirements found in ASU 2011-05 according to the applicable effective date outlined there.

### The new requirements

In June 2011, FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, which provided guidance on how public and private companies must present OCI and its components in their financial statements. The purpose of the guidance was to increase the prominence of items that are recorded in OCI and improve comparability and transparency in financial statements.

Comprehensive income (CI) measures all of a company's changes in equity that result from "nonowner changes." It captures all recognized transactions and other economic events that affect equity, except transactions with the company's owners, such as investments or distributions. OCI includes all of the components of CI that aren't recorded directly on the income statement as a component of net income.

The requirements found in ASU 2011-05 eliminated the option to present OCI and its components in the statement of changes in stockholders' equity. Instead, it required companies to present OCI in one of two ways:

1. **Present OCI in a single continuous statement.** The statement must list the components of net income and total net income, the components of OCI and total OCI, and the total CI.
2. **Use a two-statement approach.** First, an income statement must present the components of net income and total net income. Second, a statement of OCI (immediately following the income statement) must present the components of OCI, total OCI and total CI. The second statement may begin with net income.

The guidance in ASU 2011-05 also addressed the situation where a company reclassifies items out of accumulated OCI. It prohibited companies from presenting adjustments for such items in their footnotes. Rather, it required companies to present the adjustments on the face of the financial statements, where the



components of net income and OCI are presented; corresponding adjustments must appear in both net income and OCI. The reclassification adjustment provision was designed to prevent the double counting of items in both net income and OCI.

#### **The deferred requirement**

The amendments in ASU 2011-12 defer the requirement to present reclassified items separately with their respective components of net income and OCI.

FASB explained that stakeholders had raised concerns about the cost and complexity of presenting reclassified items by component as well as insufficient time to gather the information for first quarter 2012 reporting requirements. In response, it has decided to reconsider the presentation requirements for reclassifications. FASB expects to complete the reconsideration process in 2012.

In the meantime, companies can continue to report reclassifications as they had previously. In other words, reclassification adjustments out of accumulated OCI can be presented on the face of the financial statement in which CI is reported or in the notes to the financial statements.

#### **Going forward**

It's important to note that the guidance in ASU 2011-12 *doesn't* change the requirement to report OCI in either a single continuous financial statement or two separate but consecutive financial statements. That requirement takes effect for public companies during the interim and annual periods beginning after Dec. 15, 2011. Private companies should begin to apply the requirement for annual periods ending after Dec. 15, 2012, and interim and annual periods thereafter. Be aware that early implementation is permitted.

If your company must present OCI in its financial statements and you have questions about what you're obligated to include, please give us a call. We can help ensure your company is in compliance.

For more information, visit us at [www.cshco.com](http://www.cshco.com).