



October 15, 2012

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

Via email to [director@fasb.org](mailto:director@fasb.org)

Audit - Tax - Advisory

Grant Thornton LLP  
175 W Jackson Boulevard, 20th Floor  
Chicago, IL 60604-2687

T 312.856.0200  
F 312.565.4719  
[www.GrantThornton.com](http://www.GrantThornton.com)

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Dear Ms. Cospier:

Grant Thornton LLP appreciates the opportunity to comment on the proposed Accounting Standards Update (ASU), *Presentation of Items Reclassified Out of Accumulated Other Comprehensive Income*. We are supportive of the Board's efforts to improve the presentation of reclassifications out of accumulated other comprehensive income without imposing significant costs financial statement preparers.

Please see our responses to the questions for respondents in the proposed ASU, below.

**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.**

We believe that the proposed guidance would provide useful information to users of financial statements insofar as the proposed disclosures would aggregate currently-available information and might clarify for some users the effect that reclassification from accumulated other comprehensive income has on the current period's net income.

It is our understanding that users' support for enhanced presentation and disclosure of reclassifications out of accumulated other comprehensive income is related to increasing clarity about the persistence of an entity's earnings. It appears that providing enhanced information

about the persistence of earnings was also the Board's aim in issuing the reclassification adjustment presentation guidance, subsequently deferred indefinitely pending resolution of this project, in ASU 2011-05, *Presentation of Comprehensive Income*.

In particular, we note the following passage from the Basis for Conclusions in ASU 2011-05, summarizing the views of users supporting the reclassification presentation guidance as originally issued in ASU 2011-05:

Supporters of the presentation of reclassification adjustments indicated that the proposed requirement [to present reclassification adjustments on the face of the financial statements] would clarify the effect of reclassifications on net income. Those respondents also noted that this presentation would make transparent any earnings management that may be occurring through the strategic selling of appreciated financial instruments previously reported in other comprehensive income.

The Board further noted that, “[w]ithout that presentation, users may not realize that certain items of net income may have already been included in a prior period’s comprehensive income.”

We do not believe that the proposed guidance accomplishes the goal of clarifying the effect of reclassifications on net income according to the notion expressed in the excerpts above that without identifying those adjustments on the face of the financial statements, users might not realize that certain items have been recycled from accumulated other comprehensive income.

However, we note that the Board has received feedback from users indicating that requiring a disclosure to aggregate and highlight the current period effects of recycled items using information that is either currently disclosed or readily available would be helpful.

We believe that the proposed guidance achieves an operational balance between cost and benefit, although both the cost and benefit have been reduced from the reclassification presentation guidance issued in ASU 2011-05.

**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.**

It is unclear to us whether an entity would incur significant costs associated with implementing the proposed amendments in Question 1. We believe that larger entities with significant financial reporting resources would likely not incur significant costs, but smaller entities with fewer resources might incur significant costs.

Based on our understanding that financial statement users are seeking more clarity about the persistence of an entity's earnings, it appears that a more cost-effective alternative might be to require tabular disclosure of the effect of items reclassified out of accumulated other comprehensive income on the respective subtotals, such as income from discontinued operations, rather than on the respective line items, of net income. Please see our response to Question 3, below, regarding how this alternative might be applied.

We also believe that the Board should clarify what is meant by "... items that are required under U.S. GAAP to be reclassified to net income in their entirety." It is our understanding that this description is intended to capture reclassification amounts that do not pass through a balance sheet line item, such as inventory, before being recognized in net income. However, we note that there could be implementation issues associated with this guidance, such as determining whether items reclassified to the balance sheet and then to net income in the same reporting period would meet the "reclassified to net income in their entirety" criterion, or whether that criterion only applies at the time the amount is initially reclassified out of accumulated other comprehensive income.

**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 and why you think they should be different.**

Based upon the potential for differential cost impact of implementing the proposed guidance on large and small entities as described in our response to Question 2, we believe the Board should refer this issue to the Private Company Council to assess whether the proposed guidance should be amended for nonpublic entities.

In particular, we question whether less disaggregated disclosure of items reclassified to earnings in their entirety might be appropriate for nonpublic entities. It is our understanding that valuation models based on persistent earnings are less commonly utilized by nonpublic entity financial statement users, and that this and other differences between the needs of public versus nonpublic entity financial statement users might warrant less onerous requirements for nonpublic entities.

**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.**

In our view, those effective dates are not practicable, and public entities should be required to apply the proposed guidance in annual reporting periods, and interim periods within those annual periods, beginning after December 15, 2012. We believe that nonpublic entities should be required to adopt the proposed guidance for annual periods ending after December 15, 2013, although we encourage the Board to refer this question, as well as that noted in our response to Question 3, to the Private Company Council.

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We would be pleased to discuss our comments with you. If you have any questions, please contact John Hepp, Partner, Accounting Principles Consulting Group at [john.hepp@us.gt.com](mailto:john.hepp@us.gt.com) or 312.602.8050.

Sincerely,

/s/ Grant Thornton LLP