



IASB Meeting

Staff Paper

Agenda reference

**16 –
appendix A2**

Date

April, 2009

Project

Request for views on FASB FSPs

FASB STAFF POSITION

No. FAS 107-1 and APB 28-1

Title: Interim Disclosures about Fair Value of Financial Instruments

Date Posted: April 9, 2009

Objective

1. This FASB Staff Position (FSP) amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods.

Background

2. The Board received extensive input from constituents (such as financial statement users, preparers, auditors, and regulators) on financial reporting issues related to the measurement and impairment of financial instruments. Most users indicated that measuring financial instruments at fair value is more relevant than other measurements (such as amortized cost) in helping to assess the effect of current economic events on an entity on a timely basis. Other constituents asserted that fair value is not as relevant when financial markets are inactive or distressed.

3. The Board acknowledges that the number and variations of measurement attributes for financial instruments create complexity. The Board recently added to its agenda a comprehensive joint project with the International Accounting Standards Board (IASB) to address the complexity related to recognition and measurement of financial instruments.

4. However, to expeditiously address the concerns raised about the lack of comparability resulting from the use of different measurement attributes for financial

instruments, the Board decided that increasing the frequency of the disclosures about fair value would improve the transparency and quality of information provided to users of financial statements. The Board determined that, along with reported non-fair-value amounts on the face of the financial statements, fair value disclosures would allow for more timely and robust discussions between users and preparers of financial statements about current financial instrument valuations.

<p>All paragraphs in this FSP have equal authority. Paragraphs in bold set out the main principles.</p>
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FASB Staff Position

Scope

5. This FSP applies to all financial instruments within the scope of Statement 107 held by publicly traded companies, as defined by Opinion 28.

Amendment to Disclosure Requirements of Statement 107 and Opinion 28

6. A publicly traded company shall include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods.

7. An entity shall disclose in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by Statement 107.

8. Fair value information disclosed in the notes shall be presented together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amount relates to what is reported in the statement of financial position.

9. An entity also shall disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments and shall describe changes in method(s) and significant assumptions, if any, during the period.

Effective Date and Transition

10. This FSP shall be effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. An entity may early adopt this FSP only if it also elects to early adopt FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*, and FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments*. This FSP does not require disclosures for earlier periods presented for comparative purposes at initial adoption. In periods after initial adoption, this FSP requires comparative disclosures only for periods ending after initial adoption.

**The provisions of this FSP need
not be applied to immaterial items.**

This FSP was adopted by the unanimous vote of the five members of the Financial Accounting Standards Board:

Robert H. Herz, *Chairman*
Thomas J. Linsmeier
Leslie F. Seidman
Marc A. Siegel
Lawrence W. Smith

Appendix

AMENDMENTS TO EXISTING PRONOUNCEMENTS

A1. FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, is amended as follows: [Added text is underlined and deleted text is ~~struck out.~~—

- a. Paragraph 7, as amended:

This Statement requires disclosures about fair value for all financial instruments, whether recognized or not recognized in the statement of financial position, except for those specifically listed in paragraph 8. For annual reporting periods, it applies to all entities, but is optional for those entities covered by FASB Statement No. 126, *Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities*. For interim reporting periods, it applies to all entities but is optional for those entities that do not meet the definition of a publicly traded company, as defined by APB Opinion No. 28, *Interim Financial Reporting*. It does not change any requirements for recognition, measurement, or classification of financial instruments in financial statements.

- b. Paragraph 10, as amended:

An entity shall disclose in annual reporting periods and, for publicly traded companies, in interim reporting periods, either in the body of the financial statements or in the accompanying notes,^{3a} the fair value of financial instruments for which it is practicable to estimate that value. Fair value disclosed in the notes shall be presented together with the related carrying amount in a form that makes it clear whether the fair value and carrying amount represent assets or liabilities and how the carrying amounts relate to what is reported in the statement of financial position. An entity also shall disclose the method(s) and significant assumptions used to estimate the fair value of financial instruments and shall describe changes in the method(s) and significant assumptions used to estimate the fair value of financial instruments, if any, during the period.^{3aa}

A2. APB Opinion No. 28, *Interim Financial Reporting*, is amended as follows:

a. Footnote 1 to paragraph 6, as amended:

A publicly traded company for purposes of this Opinion includes any company whose securities trade in a public market on either (1) a stock exchange (domestic or foreign) or (2) in the over-the-counter market (including securities quoted only locally or regionally), or any company that is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets). Additionally, when a company is required to file or furnish financial statements with the SEC or makes a filing with a regulatory agency in preparation for sale of its securities in a public market it is considered a publicly traded company for this purpose.

b. Paragraph 30(n) is added as follows:

The information about fair value of financial instruments as required by FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*.

A3. FSP FAS 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*, is amended as follows:

a. Footnote 3 to paragraph 10:

For example, an investor may not estimate the fair value of a cost-method investment during a reporting period for Statement 107 disclosure because (a) ~~Statement 107 requires disclosure only for annual reporting periods;~~ (b) the investor determined that, in accordance with paragraphs 14 and 15 of Statement 107, it is not practicable to estimate the fair value of the investment; ~~or (e)(b) the investor is exempt from providing the disclosure for annual reporting periods under FASB Statement No. 126, *Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities*; or (c) the investor is exempt from providing the disclosure for interim reporting periods because the investor does not meet the definition of a publicly traded company, as defined by APB Opinion No. 28, *Interim Financial Reporting*.~~