Project	**Accounting for Financial Instruments**
Topic	**Financial Statement Presentation of Financial Instruments**

Purpose of this paper

1. This paper is an addendum to FASB memorandum 18 (and IASB Agenda Paper 4) distributed on October 9, 2009, which addresses financial statement presentation of financial instruments that the FASB has tentatively decided should be measured at fair value with some changes in fair value recognized in other comprehensive income (FV-OCI) or at amortized cost (an entity's own debt in certain situations) and the IASB has tentatively decided should be measured at amortized cost. Several FASB Board members requested that the staff provide additional alternatives to those provided in that paper.

Presentation of the statement of financial position under issue 1

2. In the October 9 paper, the staff presented four alternatives in Issue 1 for presenting certain financial instruments in the statement of financial position if the Boards decide that fair value is the appropriate measurement attribute for those financial instruments with certain changes in fair value recognized in other comprehensive income. Those alternatives focused on the presentation of the financial instruments themselves and not the presentation of fair value changes in accumulated other comprehensive income. In addition to separate presentation of amortized cost (a potentially detailed presentation of credit losses and other fair value changes) on the face of the statement of position, one Board member suggested that separate presentation of fair value changes in accumulated other

comprehensive income also be required, so that equity would be presented before and after fair value changes recognized in other comprehensive income. For example, if the Boards decide to require Alternative 1 from the October 9 memo (separate presentation of amortized cost, fair value adjustments, and fair value on the face of the statement of financial position) the following presentation would also be required:

Equity:	
Common stock	300
Retained earnings	1,480
Accumulated other comprehensive income, excluding changes in fair value of financial instruments	(800)
Total XYZ Co. shareholders' equity (excluding fair value changes of financial instruments)	**980**
Changes in fair value of financial instruments in accumulated other comprehensive income	350
Comprehensive XYZ Co. shareholders' equity	**1,330**
Noncontrolling interest, excluding fair value changes of financial instruments	100
Fair value changes of financial instruments attributable to noncontrolling interest	50
Comprehensive noncontrolling interest	**150**
Total Comprehensive Equity	**1,480**
Total Liabilities and Equity	**16,000**

3. If the Boards decide to require one of the alternatives requiring parenthetical presentation of amortized cost, the following presentation would be required:

Equity:	
Common stock	300
Retained earnings	1,480
Accumulated other comprehensive income (net of fair value changes of financial instruments of $350)	(450)
Total XYZ Co. shareholders' equity	**1,330**
Noncontrolling interest (net of fair value changes of financial instruments of $50)	150
Total Equity	**1,480**
Total Liabilities and Equity	**16,000**

Statement of financial position presentation for financial instruments in the FV-OCI category
If the Boards decide that fair value is the appropriate measurement attribute for certain financial instruments with certain changes in fair value recognized in other comprehensive income, should separate presentation of cumulative fair value changes recognized in other comprehensive income be required on the statement of financial position?

Staff recommendation

4. The staff notes that, except for changes in deferred taxes that could be calculated by comparing the cumulative fair value changes in net assets to the amounts recognized in equity, the additional information that would be required in this alternative would effectively provide users with the same information that would be provide if the financial instruments measured at fair value with certain changes in fair value recognized in other comprehensive income were measured at amortized costs.

5. U.S. GAAP requires that entities disclose accumulated balances for each category in accumulated other comprehensive income on the face of the statement of financial position, in a statement of changes in equity, or in notes to the financial statements. IFRS requires that such information be included in the statement of changes in equity.

6. The staff does not recommend that the Boards require separate presentation of fair value changes related to financial instruments recognized in accumulated other comprehensive income on the face of the statement of financial position. The staff believes that including only cumulative fair value changes related to financial instruments on the face of the statement of financial position places more importance on that item within accumulated other comprehensive income compared to other items, such as translation adjustments and defined benefit pension costs, which may be more significant to an entity, depending on the entity. If the Boards decide to require separate presentation of fair value changes related to financial instruments recognized in accumulated other comprehensive income on

the statement of financial position, the staff recommends that the Boards require that all components of other comprehensive income be separately presented.

Dual Presentation

7. Certain FASB Board members suggested that the staff include a presentation alternative for all of the issues discussed in the October 9 paper that would require dual presentation of amortized cost and fair value in separate columns on the statement of financial position and performance statement. The presentation in the statement of changes in shareholders' equity and the footnotes to the financial statements (that is, amortized cost versus fair value) would depend on the Boards' decisions on subsequent measurement. Alternatively, the Boards could decide to require dual presentation in the statement of changes in shareholders' equity and disclosures related to amortized cost and fair value in the footnotes.

Dual presentation for financial instruments
Do the Boards wish to require dual presentation of amortized cost and fair value of certain financial instruments in separate columns on the statement of financial position and performance statement? If yes, should an entity's presentation in the statement of changes in shareholders' equity and the footnotes be on the basis of the subsequent measurement attribute for those financial instruments or does the Board wish to require dual presentation in the statement of changes in shareholders' equity and disclosures related to amortized cost and fair value in the footnotes?

Staff recommendation

8. The staff does not recommend dual presentation of amortized cost and fair value for the financial instruments being addressed in this paper. The staff believes that the information that would be presented under a dual presentation would be provided (either on the face of the financial statements or the footnotes) in the alternatives provided to the Boards in the October 9 paper. The staff believes that dual presentation of amortized cost or fair value could lead to confusion about

whether the financial instruments are being measured at amortized cost or fair value by placing equal emphasis on both measurement attributes. Requiring dual presentation in the statement of changes in shareholders' equity and disclosures related to both amortized cost and fair value in the footnotes would effectively be requiring both measurement attributes and two separate sets of financial statements.