

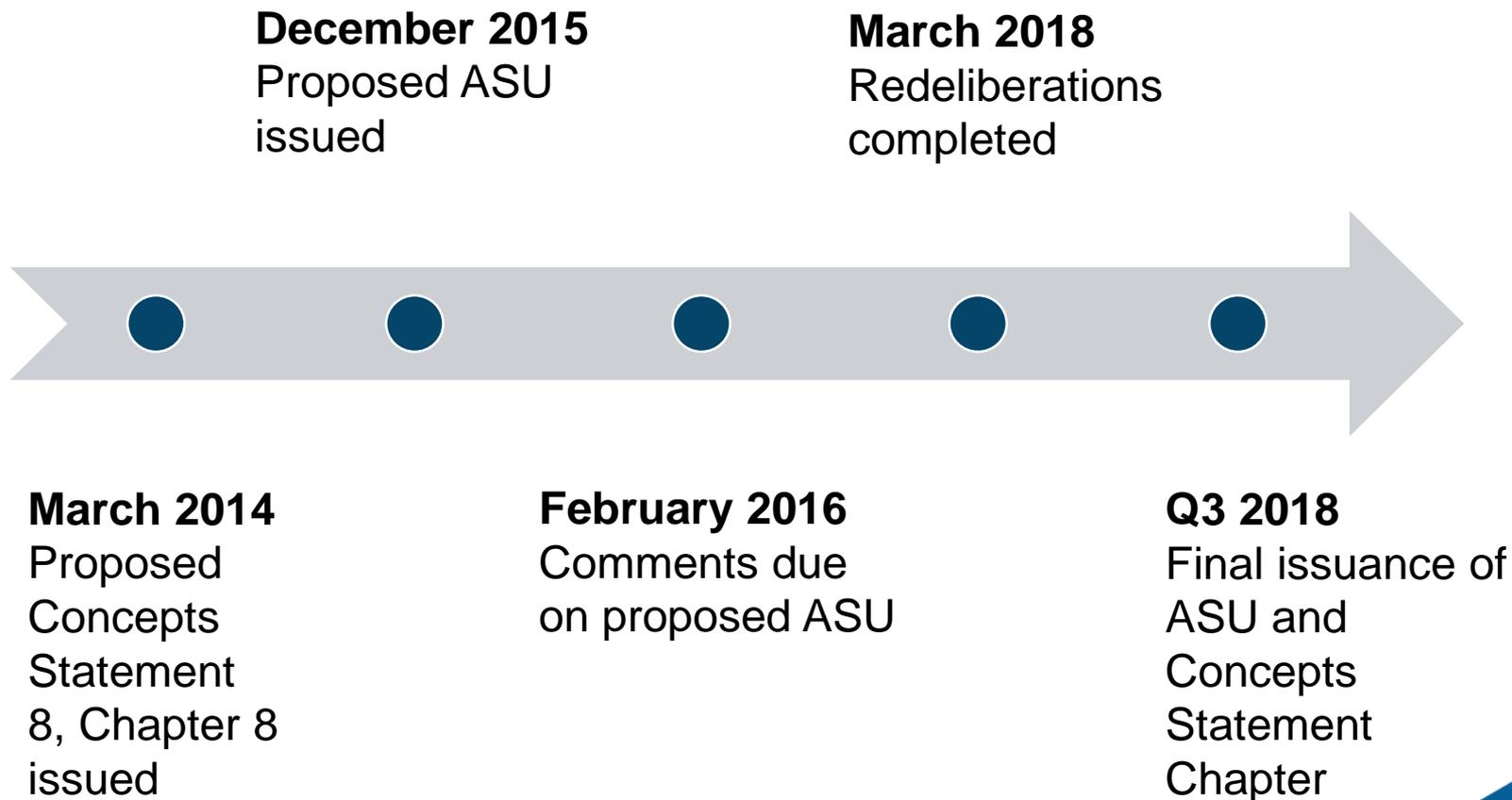


# Changes to the Disclosure Requirements for Fair Value Measurement

## FASB Memorandum 6A

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# Timeline



# Disclosure Review Process

- The FASB decided to test the concepts and improve the effectiveness of disclosure requirements on fair value measurement
- First, identified a broad range of possible information for the FASB's consideration based on the concepts
- Next, identified a narrower set of disclosures
  - Evaluated whether the expected benefits of entities providing the information justified the expected costs
- The concepts were not used rigidly

# Outreach

- Extensive consultation with stakeholders about fair value measurement disclosures during this project and past projects
  - Practitioners
  - Preparers
  - Users

# Removals

- Amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy
- Policy for timing of transfers between levels
- Valuation processes for Level 3 fair value measurements
- “At a minimum” from the phrase “an entity shall disclose at a minimum.”

# Modifications

- For investments in certain entities that calculate net asset value, a requirement to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse *only* if the investee has communicated the timing to the entity or announced the timing publicly
- Clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date.

# Additions

- Gains and losses in other comprehensive income for Level 3 recurring fair value measurements held at the end of the period
- Range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements
  - How the entity calculated the weighted average
  - Other quantitative information may be disclosed

# Nonpublic Entity Exemptions

- Gains and losses in earnings and other comprehensive income for Level 3 recurring fair value measurements held at the end of the period
- Range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements
- In lieu of the Level 3 rollforward, nonpublic entities should separately disclose:
  - Purchases and issues
  - Transfers into or out of Level 3 of the fair value hierarchy

# Transition

- Effective for **all entities** for fiscal years, and interim periods within those fiscal years, **beginning after December 15, 2019**
- **Prospective** transition method for the following:
  - Changes in unrealized gains and losses
  - The range and weighted average of Level 3 significant unobservable inputs
  - The narrative description of measurement uncertainty
- All other amendments should be applied **retrospectively** to all periods presented upon their effective date
- **Early adoption is permitted** for any removed or modified disclosures upon issuance

# Questions?