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Reporting of Reclassifications from Accumulated Other Comprehensive Income

The FASB has amended the reporting requirements for reclassifications out of accumulated other comprehensive income. The changes are described in Accounting Standards Update 2013-02, and they take effect on a staggered basis for public and private companies. Public companies must comply with the amended requirements this year (for reporting periods beginning after December 15, 2012, meaning first quarter 2013 for calendar-year companies), while private companies were exempted from certain provisions and given additional time to implement the new requirements. Private companies may adopt the changes now, if they wish, but they are not required to comply until reporting periods beginning after December 15, 2013. This article highlights the requirements and options available under the amended requirements.

How will this change affect you?

The amendments require the use of a new format so that users of financial information can find certain information about the reclassifications conveniently located in one place. The information to be presented in this new format is already substantially required under US GAAP.

The new format affects companies that have other comprehensive income (OCI), a term that describes gains and losses that are initially excluded from net income for an accounting period. Examples include: (a) gains and losses on cash flow hedges, and (b) unrealized gains and losses on available-for-sale securities. When a company has OCI, the total OCI for each period is transferred to a separate component of equity known as accumulated OCI in the statement of financial position.

Many types of entities fall within the scope of the amended requirements. In general, the requirements apply when an entity reports items of OCI in any reporting period and it provides a full set of financial statements to report financial position, results of operations, and cash flows. This broad scope includes defined benefit pension plans and other employee benefit plans, but, in practice, these entities typically do not have items of other comprehensive income. The amended requirements do not apply to not-for-profit entities because they do not use other comprehensive income.

The amended reporting requirements

Under the amended requirements, companies are required to provide the following information about items reclassified out of accumulated other comprehensive income (AOCI):

1. A report of the changes in the components of AOCI for the current period.



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2. Information about the effects on net income of significant amounts reclassified out of AOCI. This information can be provided in one of two ways, depending on the nature of the item(s) reclassified:
 - If US GAAP requires that the item be reclassified in its entirety in the same reporting period, then companies must report the effects on the line items of net income. This information can be presented either parenthetically on the face of the statement where net income is presented or as a separate disclosure in the notes to the financial statements. Although companies have options, those with numerous reclassifications will likely find the notes are a more user-friendly option.
 - If US GAAP does not require that the items be reclassified directly to net income in their entirety in the same reporting period, then companies are required to provide cross-references to other disclosures that provide additional details about these amounts. Items that fall into this category are reclassified to balance sheet accounts, rather than being reclassified directly to income or expense in the same reporting period. An example of an item of this nature is a reclassification of amortization of defined benefit pension items.

The appendix to this article provides illustrative disclosures. Tables 1 and 2 provide illustrations of disclosures provided in a single footnote to the financial statements. Tables 3 and 4 provide illustrations of disclosures of components of OCI in the notes and the effects on line items of net income provided parenthetically on the face of the financial statements.

Private companies are exempt from some of the disclosure requirements for interim periods as summarized in the following table.

Comparison of Requirements for Public and Private Companies

	Public companies	Nonpublic companies	
	Annual and interim periods	Annual periods	Interim periods
For reporting periods beginning after December 15, 2012			
Reporting of changes in components of AOCI (Table 1 or 3)	Required	Optional	Optional
Information about effects on net income of significant amounts reclassified out of AOCI (Table 2 or 4)	Required	Optional	Optional
For reporting periods beginning after December 15, 2013			
Reporting of changes in components of AOCI (Table 1 or 3)	Required	Required	Required
Information about effects on net income of significant amounts reclassified out of AOCI (Table 2 or 4)	Required	Required	Optional

For More Information



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If you have any specific questions, please contact your CBIZ Tofias & Mayer Hoffman McCann advisor, or you may reach us at TheBottomLine@cbiztofias.com and 888.761.8835.

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Illustrative Disclosures, Table 1

Information presented in a single footnote to the financial statements

Entity XYZ
Notes to Financial Statements
Changes in Accumulated Other Comprehensive Income by Component ^(a)
For the Period Ended December 31, 201X

	Gains and Losses on Cash Flow Hedges	Unrealized Gains and Losses on Available-for- Sale Securities	Defined Benefit Pension Items	Foreign Currency Items	Total
Beginning balance	\$ (1,200)	\$1,000	\$(8,800)	\$1,300	\$(7,700)
Other comprehensive income before classifications	3,000	2,500	(3,000)	1,000	3,500
Amounts reclassified from accumulated other comprehensive income	(750)	(1,500)	4,500	-	2,250
Net current-period other comprehensive income	2,250	1,000	1,500	1,000	5,750
Ending balance	\$1,050	\$2,000	\$(7,300)	\$2,300	\$(1,950)

(a) All amounts are net of tax. Amounts in parentheses indicate debits.

Illustrative Disclosures, Table 2

Information presented in a single footnote to the financial statements (continued)

Entity XYZ
Notes to Financial Statements
Changes in Accumulated Other Comprehensive Income by Component ^(a)
For the Period Ended December 31, 201X

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified from AOCI	Affected Line Item in the Statement Where Net Income is Presented
Gains and losses on cash flow hedges		
Interest rate contracts	\$ 1,000	Interest income/(expense)
Foreign exchange contracts	2,500	Sales/revenue
Credit derivatives	(500)	Other income/(expense)
Commodity contracts	(2,000)	Cost of sales
	1,000	Total before tax
	(250)	Tax (expense) or benefit
	750	Net of tax
Unrealized gains and losses on available-for-sale securities		
	\$2,300	Realized gain/(loss) on sale of securities
	(285)	Impairment expense
Insignificant items	(15)	
	2,000	Total before tax
	(500)	Tax (expense) or benefit
	\$1,500	Net of tax
Amortization of defined benefit pension items		
Prior-service costs	\$(2,000) (b)	
Transition obligation	(2,500) (b)	
Actuarial gains/(losses)	(1,500) (b)	
	(6,000)	Total before tax
	1,500	Tax (expense) or benefit
	\$(4,500)	Net of tax
Total reclassifications for the period	\$(2,250)	Net of tax

(a) Amounts in parentheses indicate debits.

(b) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. (See pension footnote for additional details.)

Illustrative Disclosures, Tables 3 & 4

Information presented parenthetically on the face of the financial statements

Table 3

Entity ABC
Notes to Financial Statements
Changes in Accumulated Other Comprehensive Income by Component ^(a)
For the Period Ended December 31, 201X

	Gains and Losses on Cash Flow Hedges	Unrealized Gains and Losses on Available-for- Sale Securities	Total
Beginning balance	\$(5,000)	\$8,000	\$3,000
Other comprehensive income before reclassifications	7,000	8,000	15,000
Amounts reclassified from accumulated other comprehensive income (b)	(2,250)	(3,000)	5,250
Net current-period other comprehensive income	4,750	5,000	9,750
Ending balance	\$(250)	\$13,000	\$(12,750)

(a) All amounts are net of tax. Amounts in parentheses indicate debits.

(b) See statement of income below for details about these reclassifications.

Table 4

Entity ABC
Statement of Income
For the Period Ended December 31, 201X

Revenues (includes \$4,000 accumulated other comprehensive income reclassifications to net gains on cash flow hedges)	\$122,500
Expenses (includes (\$1,000) accumulated other comprehensive income reclassifications for net losses on cash flow hedges)	(32,000)
Other gains and losses	5,000
Gain on sale of securities (includes \$4,000 accumulated other comprehensive income reclassifications for unrealized net gains on available-for-sale securities)	4,000
Income from operations before tax	99,500
Income tax expense (includes (\$1,750) income tax from reclassification items)	(24,875)
Net income	\$74,625