

AMENDMENT TO ASC 820

In the latest amendment to ASC 820, *Fair Value Measurements and Disclosures* ("ASC 820"), many new disclosure requirements will take effect. On January 21, 2010 the FASB issued *Accounting Standards Update No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements* ("ASU 10-06") affecting all companies that are required to make disclosures about fair value measurements.

ASU 10-06 amends paragraphs 820-10-50-1 through 50-2 and add transition paragraph 820-10-65-7 of ASC 820. The final rule differs from the proposed rule which would have required a Level 3 sensitivity disclosure. A final decision on Level 3 sensitivity disclosures will be part of the convergence with IFRS project.

SUMMARY OF NEW AND CLARIFIED DISCLOSURE REQUIREMENTS

Final Rule	Old Rule
Significant transfers in and out of Level 1 and 2 must be separately disclosed, along with the reasons for the transfers.	Only Level 3 was subject to this requirement.
In the Level 3 roll forward of activity, information about purchases, sales, issuances and settlements must be presented on a gross basis.	This activity was allowed to be reported on a net basis.
A company should provide fair value measurement disclosures for each class of assets and liabilities. A class is usually a subset of assets and liabilities within a line item on the balance sheet.	Many companies stopped at the balance sheet line item level when identifying classes.
A company should provide disclosures about the valuation techniques and inputs used to measure Level 2 and Level 3 fair values for both recurring and nonrecurring measurements.	Focused only on inputs.

IFRS

ASU 10-06 is very similar to IFRS 7, *Financial Instruments: Disclosures*. However, there appears to be a difference with respect to determining "significance". ASU 10-06 requires judgments to be made with respect to the balance sheet or the income statement. IFRS 7, however, requires judgments to be made with respect to the balance sheet and the income statement. Therefore, U.S. GAAP might result in more disclosure than IFRS.

EFFECTIVE DATE

The new and clarified disclosure requirements are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances and settlements in the Level 3 roll forward of activity. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

TRANSITION

Transition guidance is pending and will link to paragraph 820-10-65-7. In the period of initial adoption, companies will not be required to provide the disclosures required by the pending guidance for any previous periods for comparative purposes. In the periods after initial adoption, comparative disclosures of the pending content will be required only for periods ending after initial adoption. Early adoption is permitted.

Please contact Pluris if you would like to learn more about how you are affected by ASU 10-06 and discuss how to identify best practices as they arise so as to avoid having too much or inadequate disclosure.

FOR MORE INFORMATION PLEASE CONTACT

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