

# Other Comprehensive Income, Presentations and Disclosures

By Josef Rashty, CPA

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**Curriculum:** Accounting and auditing

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**Level:** Basic

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**Designed For:** Industry (public and private) and public practice

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**Objectives:** To propose a practical approach for presentations and disclosures of other comprehensive income and accumulated other comprehensive income

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**Key Topics:** Other comprehensive income, accumulated other comprehensive income and XBRL

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**Prerequisites:** None

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**Advanced Preparation:** None

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**In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*. This guidance requires entities to disclose the current period changes in the components of “accumulated other comprehensive income” (loss) (AOCI).**

Topic 220, “Other Comprehensive Income,” requires that changes in components of Other Comprehensive Income (OCI) be reflected either as a continuation of statement of income or as a freestanding statement preceded by statement of income.

In March 2013, FASB issued a draft of implementation guidance to demonstrate the modeling of transactions related to changes in AOCI and OCI using the elements in the U.S. Generally Accepted Accounting Principles (GAAP) Financial Reporting Taxonomy (UGT), *FASB U.S. GAAP Financial Reporting Taxonomy, Implementation Guide Series – Other Comprehensive Income*. This guidance provides Extensible Business Reporting Language (XBRL) tagging guidance for public business entities (PBE) and examples of XBRL tagging for changes in AOCI reflected either on the face of financial statements parenthetically or as footnotes to financial statements.

This article, based on FASB’s guidance, presents a practical approach and an illustration of disclosures and presentations requirements for changes in components of AOCI and OCI on net-of-tax basis. (The guidance permits both before-tax and net-of-tax presentations.)

Even though the discussions related to XBRL appear to be relevant to PBEs, the concepts presented in examples and illustrations can be similarly applied to private companies.

### Components of OCI and AOCI

OCI and AOCI reflect certain changes in the fair value (FV) of certain assets and liabilities not reflected in earnings. The following is a list of items that are usually included in OCI or AOCI (ASC 220-45-10A):

- Unrealized gains and losses on available-for-sale securities (AFS), as opposed to trading and held-to-maturity securities (ASC Topic 320).
- Gains and losses on cash flow hedges; e.g., foreign currency forward contracts (ASC Topic 815).

- Unrealized gains and losses on defined benefit pension plans (beyond certain thresholds) and their subsequent amortization due to revision of expectations in return on defined benefit pension plan assets or obligations; e.g., amortization of prior-service costs (ASC Topic 715).
- Foreign currency gains and losses due to translation of foreign subsidiaries financial statements, and foreign currency gains and losses arising on inter-company currency transactions where settlement is not planned or anticipated in the near future (ASC Topic 830).

### ASU 2013-02

FASB issued this ASU after significant outreach with preparers and users. The guidance provides a practical approach from preparers’ points of view and also satisfies the needs of users for greater transparency about the impact of reclassification adjustments of AOCI on net earnings. This ASU applies to all entities (PBEs and private companies) that provide a full set of financial statements to report their financial position, results of operations, cash flows and other comprehensive income in any period.

The standard became effective for PBEs for annual periods and interim periods within those years, beginning after Dec. 15, 2012. Non-public companies could have adopted the guidance for annual periods beginning after Dec. 15, 2013, and interim and annual periods thereafter.

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**Table 1**

	Member 1	Member 2	Member 3	Member 4	Member 5
Balance Sheet Equity Components Dimension (Axis)	Unrealized Gains and Losses on Available-for-Sale Securities	Unrealized Gains and Losses on Cash Flow Hedges	Unrealized Gains and Losses on Defined Benefit Pension Plans *	Unrealized Gains and Losses on Foreign Currency Translation	Total Unrealized Gains and Losses
AOCI beginning balance (net-of-tax \$--, \$--, \$--, \$--, \$--)	\$-	\$-	\$-	\$-	\$-
OCI adjustments before reclassifications (net-of-tax \$--, \$--, \$--, \$--, \$--)					
OCI reclassifications - current period (net-of-tax \$--, \$--, \$--, \$--, \$--)					
AOCI ending balance (net-of-tax \$--, \$--, \$--, \$--, \$--)					

\*This column presents a simplified defined benefit pension plan and does not reflect transactions discussed earlier, such as net prior-service (costs) credits or net transition asset (obligation).

### Presentation of AOCI Reclassifications

ASU 2013-02 requires entities to reflect reclassifications from AOCI in a single location, either on the face of statement of operations parenthetically or as a separate single footnote disclosure.

Substantially, all the disclosure requirements under this guidance are disclosed elsewhere under U.S. GAAP. However, this guidance requires disclosure of amounts reclassified out of AOCI be reflected in a single place, and in some cases, cross-references are required to related footnote disclosures (e.g., the components of AOCI included in the computation of net periodic pension cost).

During FASB's deliberations, a few FASB board members indicated that many companies may decide to present AOCI information as a separate footnote rather than on the face of financial statements since the numerous reclassifications to and from AOCI and their parenthetical presentation may clutter their financial statements. Furthermore, a majority of users indicated that presenting this information on the face of financial statements could give undue prominence to such transactions (BC 15 – ASU 2013-02).

As expected, most registrants decided to reflect AOCI reclassifications as a separate footnote disclosure to their financial statements either before or net-of-taxes. The author surveyed a number of the SEC registrants' filings and noted that the most prevalent practice is for companies to reflect a roll-forward presentation of AOCI as a footnote to their financial statements. The parenthetical presentation of AOCI changes on the face of financial statements, for the reasons noted at the time of deliberation of this guidance, has rarely been used in practice.

Among other things, an entity that decides not to reflect reclassifications of AOCI parenthetically on the face of financial statements must identify the line items of the statement of income that have been affected by such reclassifications. However, entities are not required to identify the statement of income line items for certain components of AOCI that are not required to be reclassified in their

entirely to earnings, such as periodic pension cost partial amortization.

An entity should also present the amount of income tax expenses or benefits allocated to each component of OCI and their reclassifications from AOCI (ASC 220-10-45-12). If an entity presents the information as a footnote to its financial statements, the disclosure can be either before-tax or net-of-tax; whereas, if an entity elects to present the classifications parenthetically on the face of its statement of income, the presentation must be made on a before-tax basis.

In some instances, in addition to what was discussed earlier, disclosure on the face of the statement of income may turn out to be problematic due to a delay in recognition of these expenses in earnings. For example, companies that have defined benefit pension plans may defer certain costs and capitalize them in fixed assets or inventory rather than reflecting them in earnings. In such instances, the amount reclassified from AOCI will be reflected in earnings at a later date when inventory is sold or a fixed asset is depreciated or disposed of.

As a result, most entities have opted to present adjustments and reclassifications in AOCI as a footnote to their financial statements.

### Presentation of OCI Adjustments

Topic 220 requires that OCI statements appear as either a continuous statement of income with the top part as a traditional income statement and OCI items serving as adjustments to net income to arrive at "comprehensive income" on the bottom part or as a freestanding OCI statement that begins with net income, adjusted for the OCI items, to arrive at "comprehensive income" (ASC 220-45-1).

The author believes that the latter presentation method has been more prevalent. NetApp presentation (discussed later in this article) also depicts a freestanding statement for presentation of OCI.

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**Chart 1 NETAPP, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<b>Year Ended (in millions)</b>		
	April 25, 2014	April 26, 2013	April 27, 2012
<b>Net income</b>	<b>\$637.5</b>	<b>\$505.3</b>	<b>\$605.4</b>
<b>Other comprehensive income (loss):</b>			
Foreign currency translation adjustments	3.5	(2.9)	(6.7)
Defined benefit obligations:			
Defined benefit obligation adjustments	0.7	(3.9)	(4.4)
Income tax effect on defined benefit obligations	(0.4)	2.6	0.0
Reclassification adjustment for actuarial net losses from defined benefit obligations into earnings	0.6	0.0	0.0
Unrealized gains (losses) on available-for-sale securities:			
Unrealized holding gains (losses) arising during the period	(2.5)	7.3	1.5
Income tax effect on unrealized holding gains (losses)	1.3	(0.2)	0.5
Reclassification adjustments for gains included in net income	(1.3)	(0.6)	(0.5)
Unrealized gains (losses) on cash flow hedges:			
Unrealized holding gains (losses) arising during the period	(3.5)	3.7	20.6
Reclassification adjustments for losses (gains) included in net income	2.0	(2.2)	(18.9)
<b>Other comprehensive income (loss)</b>	<b>0.4</b>	<b>3.8</b>	<b>(7.9)</b>
<b>Comprehensive income</b>	<b>\$637.9</b>	<b>\$509.1</b>	<b>\$597.5</b>

### XBRL Implementation Guidance

The purpose of this guidance is to demonstrate the modeling of transactions related to changes to AOCI based on the elements used in UGT. This guidance focuses on detail tagging only (Level 4) and does not include any elements for text blocks, policy text blocks and table text blocks (Levels 1-3).

The OCI elements representing a cash flow hedge component, available-for-sale securities component or foreign currency translation component are modeled with credit balance types, and the corresponding reclassification elements are modeled with debit balance types. On the other hand, the OCI elements representing pension components before reclassification are modeled with a debit balance type, and the corresponding reclassification elements are modeled with a credit balance type.

Defined benefit pension plans are vehicles used to provide fixed retirement benefits to employees after their retirements. The following is a list of accounts related to defined benefit pension plans that have corresponding XBRL tags in UGT:

- Prior-service costs are recognized as expense over the future service period. As a result, any adjustment to prior-service costs is reflected in AOCI (in the equity section of the balance sheet) and

their amortizations are reflected in earnings from AOCI during the amortization period in future years.

- Periodic actuarial calculations of pension plans create net gains and losses that affect the pension expense only if they exceed an amount equal to 10 percent of the projected benefit obligations, or 10 percent of plan assets, whichever is higher. This threshold amount is referred to as the “corridor.” However, even if the net gains and losses exceed the corridor limit, the excess is not charged to pension expense at once. As an additional concession, U.S. GAAP permits only a portion of the excess to be included in earnings in each period.
- The minimum amount that should be included as pension expense in earnings is the amount of excess above the threshold divided by the average remaining service period of employees expected to receive benefits under the plan. As a result, any excess net gains and losses are initially reflected in AOCI and their amortizations are reclassified in earnings from AOCI.

### Illustration

#### Presentation of OCI as a Freestanding Statement

In this presentation, the OCI statement is presented as a freestanding statement preceded by statement of income. The items in this statement can be presented either before-tax or net-of-tax (ASC 220-45-10B).

**Chart 2 NETAPP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
The amounts reclassified out of AOCI are as follows (in millions):

	Year Ended			Statements of Operations Location
	April 25, 2014	April 26, 2013	April 27, 2012	
OCI Components	Amounts Reclassified from AOCI			
Recognized losses on defined benefit obligations	\$0.4	\$0.0	\$0.0	Operating expenses
Realized losses (gains) on available-for-sale securities	(1.3)	(0.6)	(0.5)	Other income, net
Realized losses (gains) on cash flow hedges	2.0	(2.2)	(18.9)	Net revenues
Total reclassifications	<u>\$1.1</u>	<u>(\$2.8)</u>	<u>(\$19.4)</u>	

**Chart 3 NETAPP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
Changes in accumulated other comprehensive income (AOCI) by component, net of tax, are summarized below (in millions):

	Foreign Currency Translation Adjustments	Defined Benefit Obligation Adjustments	Unrealized Gains on Available-for-Sale Securities	Unrealized Gains on Derivative Instruments	Total
Balance as of April 27, 2012	\$4.9	(\$4.4)	\$4.9	(\$0.5)	\$4.9
Other comprehensive income (loss) (OCI) before reclassifications	(2.9)	(1.3)	7.1	3.7	6.6
Amounts reclassified from AOCI, net of tax	0.0	0.0	(0.6)	(2.2)	(2.8)
Net OCI	(2.9)	(1.3)	6.5	1.5	3.8
Balance as of April 26, 2013	2.0	(5.7)	11.4	1.0	8.7
Other comprehensive income (loss) (OCI) before reclassifications	3.5	0.5	(1.2)	(3.5)	(0.7)
Amounts reclassified from AOCI, net of tax	0.0	0.4	(1.3)	2.0	1.1
Net OCI	3.5	0.9	(2.5)	(1.5)	0.4
Balance as of April 25, 2014	<u>\$5.5</u>	<u>(\$4.8)</u>	<u>\$8.9</u>	<u>(\$0.5)</u>	<u>\$9.1</u>

The NetApp example, which will be discussed later in this article, reflects the OCI statement on before-tax basis, whereas the presentation in Table 2 on the following page reflects them on net-of-tax basis.

Many registrants, who have presented elements of OCI net of any significant tax amounts, have disclosed the amounts of taxes parenthetically. Parenthetical disclosures of tax amounts require XBRL tags corresponding to amounts of taxes disclosed. UGT provides XBRL elements associated for such tax amounts.

#### Footnote Presentation of AOCI

Table 1 on page 46 illustrates the disclosure of changes in each component of AOCI as footnotes to financial statements and as required by paragraphs 220-10-45-24A and 220-10-55-15A of ASU 2013-02. UGT provides elements for both net-of-tax and before-tax presentations. In the illustration, the author has used net-of-tax elements for the sake of consistency with the earlier example regarding OCI presentation in this article. The XBRL calculation assertion is in the form of axis and members.

continued on next page

**Table 2**

Net income
Other comprehensive income (loss), net-of-tax:
Changes in available-for-sale-securities:
Unrealized gains (losses) during the period, net-of-tax
Gains (losses) classified to earnings, net-of-tax
Net change, net-of-tax benefit (expense)
Changes on cash flow hedges:
Unrealized gains (losses) arising during the period, net-of-tax
Gains (losses) classified to earnings, net-of-tax
Net change, net-of-tax benefit (expense)
Changes in defined benefit pension plans:
Unrealized gains (losses) before reclassification, net-of-tax
Reclassification adjustment, net-of-tax
Net change, net-of-tax benefit (expense)
Changes in foreign currency translation:
Unrealized gains (losses) during the period, net-of-tax
Gains (losses) classified to earnings, net-of-tax
Net change, net-of-tax benefit (expense)
Other Comprehensive Income (loss), net-of-taxes
Comprehensive income (loss)

### Presentation Example

Charts 1, 2 and 3 provide NetApp's presentation and disclosure of OCI adjustments (as a freestanding statement preceded by statement of income) in its Form 10-K for the fiscal year ending April 25, 2014, filed on June 17, 2014. It can be viewed at <http://www.sec.gov/Archives/edgar/data/1002047/000119312514239169/d691214d10k.htm>, pages 66, 95 and 96.

In this presentation, NetApp has reflected adjustments to OCI on before-tax basis in its OCI statement as a freestanding statement, whereas AOCI reclassifications and adjustments are presented, as a footnote to its financial statements, on net-of-tax basis.

### Recent Developments

#### Extended Tags

The SEC has observed a steady decline in use of custom tags (extended tags) by large accelerated filers during the phase-in period and thereafter. However, staff did not note the same trend among smaller filers. Commission staff intends to continue monitoring the use of custom tags. Depending on the results of this effort, commission staff may issue further guidance or pursue other action (<http://www.sec.gov/dera/reportspubs/assessment-custom-tag-rates-xbrl.html#U8QU46VtdDQ>).

The author believes that, in most instances, the registrants can avoid using extended tags in presentation of AOCI and OCI since UGT has a comprehensive set of tags for AOCI reclassifications and presentations. However, there might be instances that some

particular transactions, in particular AOCI reclassifications related to defined benefit pension plans, would require use of custom or extended tags, but nevertheless that would be rather rare.

### Calculation Relationships

The SEC has emphasized that registrants include calculation relationship in their XBRL tagging. The SEC has also published "Sample Letter Sent to Public Companies Regarding XBRL Requirement to Include Calculation Relationships" <http://www.sec.gov/divisions/corpfin/guidance/xbrl-calculation-0714.htm>.

The following is an excerpt from that letter. "Our rules also require that you include calculation relationships for certain contributing line item elements for your financial statements and related footnotes. Through our selective review, we have noticed that your filing does not include all required calculation relationships."

The registrants must pay special attention that calculation relationships are properly reflected in their filings in presentation of their AOCI and OCI tables.

### XBRL Implementation Guidance

FASB closed its comment deadline on XBRL "Other Comprehensive Income" implementation guidance in 2013. However, it is planning to propose new revised guidance on that within the next few months.

### Final Remarks

OCI and AOCI are fundamentally losses and gains and accumulated losses and gains left out of net earnings. These transactions have received significant scrutiny and attention by analysts recently. Consequently, the SEC has focused not only on proper presentation of these transactions, but also on their XBRL tags assignments. This article presents a practical approach to, and an illustration of, disclosure and presentation requirements for changes in components of AOCI and OCI.

A random survey of several PBEs by the author confirmed that some registrants have difficulties with proper presentation and reclassifications of AOCI and OCI transactions, and there is a variety of methods in presentation format and disclosures. One reason for inconsistency in practice is simply differences in businesses and their presentation requirements.

The author recommends that companies analyze the provisions of the guidance thoroughly prior to adopting it to their specific needs. It is also recommended that they review their peer presentations and their XBRL tags. Improper presentation of AOCI and OCI may result in improper XBRL tagging and use of extensions instead of standard UGT elements. ■

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is a member of the Texas Society of CPAs and has held managerial positions with several high technology public companies in the Silicon Valley region of the Bay Area in California. He can be reached at [j\\_rashty@yahoo.com](mailto:j_rashty@yahoo.com).

## Other Comprehensive Income, Presentation and Disclosures

- 1** \_\_\_\_\_ issued draft of XBRL tagging implementation guidance on AOCI and OCI.  
A. AICPA                                      C. FASB  
B. XBRL US                                      D. PCAOB
- 2** The author claims that this article provides guidance for:  
A. PBEs                                      C. Both a and b  
B. private companies                      D. Neither a or b
- 3** There are \_\_\_\_\_ components in AOCI.  
A. Three                                      C. Six  
B. Five                                      D. None of the above
- 4** One component of AOCI is gains and losses on fair value hedges.  
A. Yes                                      B. No
- 5** ASU 2013-02 requires that reclassifications from AOCI to be reflected:  
A. as footnotes to financial statements  
B. on the face of financial statements parenthetically  
C. both a and b  
D. either a or b
- 6** The author claims that in practice, most companies have decided to reflect reclassifications from AOCI on the face of their financial statements parenthetically.  
A. Yes                                      B. No
- 7** ASU 2013-02 requires that if AOCI reclassifications are reflected as footnotes to financial statements, they must be presented net of taxes.  
A. Yes  
B. No
- 8** For XBRL presentation purposes, all elements of OCI are modeled on a debit balance basis with the exception of:  
A. pensions  
B. cash flow hedges  
C. available-for-sale securities  
D. foreign currency translation
- 9** Extended tags for AOCI classification:  
A. cannot be used under any circumstances  
B. should be avoided if possible  
C. is preferable  
D. all the above
- 10** Which of the following statements is correct?  
A. Calculation relationships are used in AOCI reclassifications tagging  
B. The SEC has been scrutinizing the use of calculation tags lately  
C. Both a and b  
D. Neither a or b

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