
FASB Proposes Expanded Disclosure of Litigation and Certain Other Loss Contingencies

Date: 06/26/08

The Financial Accounting Standards Board ("FASB") recently issued an Exposure Draft of a proposed Statement of Financial Accounting Standards regarding Disclosure of Certain Loss Contingencies. 1 The objective of the proposed Statement is to significantly expand disclosures about certain loss contingencies by amending FASB Statement No. 5, Accounting for Contingencies, and FASB Statement No. 141(R), Business Combinations. The Exposure Draft was issued in response to concerns expressed by investors and others about the inadequacy of information currently available regarding the likelihood, timing and amount of future cash flows associated with loss contingencies. The new standard may have significant implications not only for financial reporting but also more generally for disclosure regarding litigation and other loss contingencies and the tasks that legal counsel and independent auditors will need to undertake as companies assess the likelihood, timing and amount of future cash flows associated with loss contingencies in order to satisfy the new disclosure requirements.