

FASB Decides to Postpone Effective Date Related to the Proposed ASU on Disclosure of Certain Loss Contingencies

On July 20, 2010, the Financial Accounting Standards Board (“FASB”) issued an exposure draft of a proposed Accounting Standards Update, *Disclosure of Certain Loss Contingencies* (the “Proposed ASU”).¹ The Proposed ASU would update Accounting Standards Codification Topic 450—Contingencies (“ASC Topic 450”).² The guidance contained in the Proposed ASU would:

- Expand the population of loss contingencies that are required to be disclosed to include certain *remote contingencies*;
- Enhance disclosure of qualitative and quantitative information about loss contingencies to enable financial statement users to understand the nature, potential magnitude and potential timing (if known) of certain loss contingencies; and
- With respect to public entities, require tabular reconciliations, by class, of recognized (accrued) loss contingencies.

The comment period ended on September 20, 2010, and the Proposed ASU contemplated that the new disclosure requirements would become effective for annual financial statements issued for fiscal years ending after December 15, 2010.³ However, due to the volume of comment letters received and the complex issues raised therein, the FASB agreed at its October 27, 2010 board meeting to postpone the effective date.⁴ The FASB decided that a final standard will not be effective for the 2010 calendar year-end reporting period. Although the FASB did not specify when the new effective date would be, it did indicate plans to resume deliberating the Proposed ASU sometime before the end of 2010.

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If you have any questions about the issues addressed in this memorandum or if you would like a copy of any of the materials mentioned, please do not hesitate to call or email Charles A. Gilman at 212.701.3403 or cgilman@cahill.com; Jon Mark at 212.701.3100 or jmark@cahill.com; John Schuster at 212.701.3323 or jschuster@cahill.com; or Abigail Darwin at 212.701.3240 or adarwin@cahill.com.

¹ See *Disclosure of Certain Loss Contingencies* (July 20, 2010), available at <http://www.fasb.org/cs/BlobServer?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1175821001041&blobheader=application%2Fpdf>. For further discussion, see our firm memorandum entitled, *FASB July 20, 2010 Exposure Draft re: Disclosure of Certain Loss Contingencies* (August 2, 2010), available at http://www.cahill.com/news/memoranda/100230/res/id=sa_File1/CGR%20Memo%20-%20FASB%20July%2020%202010%20Exposure%20Draft%20re%20Disclosure%20of%20Certain%20Loss%20Contingencies.pdf.

² Prior to codification, ASC Topic 450 was known as FASB Statement No. 5, or FAS 5, *Accounting for Contingencies*.

³ The comment period was initially supposed to last 30 days and terminate on August 20, 2010. However, as a result of concerns expressed by constituents that a 30-day comment period was too brief to digest and provide meaningful comments related to the new proposed disclosures, particularly in light of the summer vacation season, the FASB agreed to extend the initial comment period through September 20, 2010.

⁴ Over 340 comment letters were submitted with respect to the Proposed ASU. The letters are largely critical of the Proposed ASU. One key concern expressed in many comment letters is the potentially prejudicial nature of the required disclosures and the effect that the required disclosures could have on attorney-client privilege.