

Financial Services Update

Changes to the Disclosure Requirements for Fair Value Measurement

By Michael Provini, CPA and Jay Monaghan, CPA

As the year-end fast approaches, the implementation requirements of FASB ASU 2018-13, *Fair Value Measurement (Topic 820)*, become effective for all entities for fiscal years beginning after December 15, 2019.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 applies to all entities that are required under existing US GAAP to make disclosures about recurring and nonrecurring fair value measurements. Among the provisions that this ASU has added, eliminated and modified with respect to certain aspects of the required fair value disclosures are summarized herein.

Additions

The ASU has added certain disclosure requirements, which are not required for nonpublic entities, including the changes in unrealized gains and losses for the period included in comprehensive income for recurring Level 3 fair value measurements.

It also clarifies the range, weighted average and qualitative information of significant unobservable inputs used to develop Level 3 fair value measurements.

Eliminations

The ASU has eliminated the requirements to disclose:

- the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy,
- the policy for timing of transfers between Levels,
- the valuation process for Level 3 fair value measurements, and
- for nonpublic entities: the disclosure for the changes in unrealized gains and losses for the period included in earnings for recurring Level 3 fair value measurements held at the end of the reporting period.

Modifications

The ASU has modified certain disclosure requirements and now – in lieu of a roll-forward for Level 3 fair value measurements – a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities.

For investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse **only if** the investee has communicated the timing to the entity or announced the timing publically.

The amendments also clarify the measurement uncertainty disclosure.

Effective Date

ASU 2018-03 is effective for all entities for fiscal years beginning after December 15, 2019. Early adoption is also permitted.

Contact Us

For more information about Accounting Standards Update No. 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, please contact your engagement partner or any of the following:

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