

FASB FLASH REPORT

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FASB Amends Fair Value Disclosure Requirements

The FASB issued ASU 2018-13¹ to improve the effectiveness of disclosures about fair value measurements required under ASC 820.² The new ASU is available [here](#), and is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted.

BACKGROUND

The FASB issued ASU 2018-13 as part of its disclosure framework project, which has an objective and primary focus to improve the effectiveness of disclosures in the notes to financial statements. As part of the project, during August 2018, the Board also issued a Concepts Statement,³ which the FASB used as a basis for amending the disclosure requirements for Topic 820.

¹ *Fair Value Measurement (Topic 820): Disclosure Framework — Changes to the Disclosure Requirements for Fair Value Measurement*

² FASB Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurement* ("Topic 820")

³ [Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements](#)

MAIN PROVISIONS

ASU 2018-13 amends the disclosure requirements for recurring and nonrecurring fair value measurements by removing, modifying, and adding certain disclosures.

The following disclosure requirements were removed from Topic 820:

1. Amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy.
2. Policy for timing of transfers between levels of the fair value hierarchy.
3. Valuation process for Level 3 fair value measurements.
4. For nonpublic entities, changes in the 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.

The following disclosure requirements were modified in Topic 820:

1. In lieu of a rollforward 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.
2. 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 reporting entity or announced the timing publicly. If the timing is unknown, the reporting entity shall disclose that fact.
3. The amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, a narrative description of the uncertainty of the fair value measurement from the use of significant unobservable inputs, if those inputs reasonably could have been different at the reporting date, is required.

The following disclosure requirements were added to Topic 820. Nonpublic entities are not required to make these additional disclosures:

1. For recurring fair value measurements categorized within Level 3 of the fair value hierarchy held at the end of the reporting period, the changes in unrealized gains and losses for the period included in other comprehensive income.
2. The range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. For certain unobservable inputs, an entity may disclose other quantitative information (such as the median or arithmetic average) instead of the weighted average if the entity determines that other quantitative information would be a more reasonable and rational method to reflect the distribution of unobservable inputs used to develop Level 3 fair value measurements.

EFFECTIVE DATE AND TRANSITION REQUIREMENTS

The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019.

Early adoption is permitted upon issuance of the ASU. An entity is permitted to early adopt all disclosure requirements in the ASU or early adopt only the removed and modified disclosure requirements, while delaying adoption of the additional disclosures until their effective date.

Upon adoption, the amendments should be applied retrospectively to all periods presented, except the amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption.

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