

# Audit Alert: Fair value measurement disclosure framework

*The Financial Accounting Standards Board post highlights on its **February 18** Board meeting. The Board discussed how to promote more discretion in applying disclosure requirements about fair value measurements and tentatively decided that the disclosure sections of ASC Topics should:*

1) State that required disclosures must be provided only to the extent that they are material; 2) Omit language that would limit the use of discretion (for example, “An entity shall at a minimum provide...”); 3) Refer to ASC 235, *Notes to Financial Statements*, which the Board intends to modify to include the following additional guidance on applying materiality to note disclosures:

- Materiality would be applied to disclosures individually and in the aggregate; it is possible that only some or none of the disclosure requirements in the ASC Topic would be material.
- A disclosure would be material if it meets the U.S. Supreme Court’s description of “materiality.”
- The evaluation of materiality would be done on a quantitative and qualitative basis, including consideration of whether there is a substantial likelihood that the omitted disclosure could be reasonably viewed as having significantly altered the total mix of information made available.

- An omission would not be considered an accounting error if an entity omits the disclosure because it is deemed immaterial.

The Board tentatively decided that the guidance would not explicitly address the variations in the legal concept of materiality by jurisdiction. In addition, the Board tentatively decided that it would not distinguish between a minimum and expanded set of disclosures.

The Board also tentatively decided that the objective for the disclosures in ASC 820, *Fair Value Measurement*, would be “to provide users of financial statements with information useful” in assessing the different ways an entity arrives at its fair value measures, including judgments and assumptions that it makes; the effects of changes in fair value on the amounts reported in financial statements; the uncertainty in the fair value measurement of assets and liabilities and how fair value measurements change from period to period.

Source: Grant Thornton, *On The Horizon*, February 26, 2015

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