

FASB Clarifies the Applicability of a Fair Value Hierarchy Disclosure for Nonpublic Entities

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Under the ASU, all nonpublic entities are exempt from having to disclose the fair value hierarchy level (i.e., Level 1, 2, or 3) for fair value measurements of financial assets and financial liabilities that are disclosed in the footnotes to the financial statements but not reported at fair value in the statement of financial position.

On February 7, 2013, the FASB issued [ASU 2013-03](#)¹ to clarify the applicability of a fair value disclosure requirement in ASC 825² (as amended by ASU 2011-04³) for nonpublic entities. Under the ASU, **all nonpublic entities**⁴ are exempt from having to disclose the fair value hierarchy level (i.e., Level 1, 2, or 3) for fair value measurements of financial assets and financial liabilities that are disclosed in the footnotes to the financial statements but not reported at fair value in the statement of financial position. The ASU does not change any other fair value disclosure requirements in ASC 820⁵ or ASC 825 and is effective immediately.

Editor's Note: An entity's own debt measured at amortized cost in the statement of financial position is an example of a financial liability that is not reported at fair value in the statement of financial position and whose fair value would therefore need to be disclosed in the footnotes to the financial statements.

See Deloitte's January 10, 2013, *Heads Up* for information about the FASB's decision to clarify this disclosure requirement.

¹ FASB Accounting Standards Update No. 2013-03, *Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities*.

² FASB Accounting Standards Codification Topic 825, *Financial Instruments*.

³ FASB Accounting Standards Update No. 2011-04, *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*.

⁴ The ASC Master Glossary defines a nonpublic entity as:

"Any entity that does not meet any of the following conditions:

- a. Its debt or equity securities trade in a public market either on a stock exchange (domestic or foreign) or in the over-the-counter market, including securities quoted only locally or regionally.
- b. It is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets).
- c. It files with a regulatory agency in preparation for the sale of any class of debt or equity securities in a public market.
- d. It is controlled by an entity covered by the preceding criteria."

⁵ FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*.

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