

FASB Requires More Disclosures on Receivables and Allowance for Credit Losses

July 30, 2010

Dear clients and friends:

The Financial Accounting Standards Board (FASB) on July 21 issued **Accounting Standards Update No. 2010-20**, Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses. Changes in those disclosures would be required starting in late 2010 for some companies.

In a **news release**, the **FASB** said the Accounting Standards Update will improve transparency in financial reporting by public and nonpublic companies that hold financing receivables, which include loans, lease receivables and other long-term receivables.

The Update requires companies to provide more information in their disclosures about the credit quality of their financing receivables and the credit reserves held against them.

The amendments in the Update apply to all public and nonpublic entities with financing receivables. Financing receivables include loans and trade accounts receivable. However, short-term trade accounts receivable, receivables measured at fair value or lower of cost or fair value and debt securities are exempt from these disclosure amendments.

The additional disclosures to be required for financing receivables include:

- Aging of past due receivables,
- Credit quality indicators,
- Modifications of financing receivables.

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For public companies, the amendments that require disclosures as of the end of a reporting period are effective for interim and annual periods ending on or after December 15, 2010. Disclosures about activity that occurs during a reporting period (such as a roll-forward of credit losses) are effective for interim and annual periods beginning on or after December 15, 2010. For nonpublic companies, the amendments are effective for annual periods ending on or after December 15, 2011.

If you would like additional information on the FASB Accounting Standards Update on Receivables and Allowance for Credit Losses, do not hesitate to contact us at (305) 373-5500.

Sincerely,



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