

AMDOCS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued) (dollar and share amounts in thousands, except per share data)

Derivatives and Hedging

The Company carries out transactions involving foreign currency exchange derivative financial instruments. The transactions are designed to hedge the Company's exposure in currencies other than the U.S. dollar. The Company recognizes derivative instruments as either assets or liabilities and measures those instruments at fair value. If a derivative meets the definition of a cash flow hedge and is so designated, changes in the fair value of the derivative are recognized in other comprehensive income (loss) until the hedged item is recognized in earnings. The ineffective portion of a derivative designated as a cash flow hedge is recognized in earnings. If a derivative does not meet the definition of a cash flow hedge, the changes in the fair value are included in earnings.

Recent Accounting Standards

In July 2013, the Financial Accounting Standards Board, or FASB, issued an accounting standard update, under which an entity must present an unrecognized tax benefit, or a portion of an unrecognized tax benefit, in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, in the absence of certain conditions. This accounting standard update will be effective for the Company on October 1, 2014, and may result in changes in the Company's financial statements presentation but will not affect the substantive content of the Company's consolidated financial statements.

In February 2013, the FASB issued an accounting standard update to require reclassification adjustments from other comprehensive income to be presented either in the financial statements or in the notes to the financial statements. This accounting standard update became effective for the Company in the first quarter of fiscal 2014 and will result in additional disclosures in the Company's financial statements but will not affect the substantive content of the Company's consolidated financial statements.

Adoption of New Accounting Standards

In September 2011, the FASB issued a revised accounting standard update intended to simplify how an entity tests goodwill for impairment. The amendment allows an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. An entity no longer is required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. This accounting standard update became effective for the Company in the first quarter of fiscal 2013, and its adoption did not have any impact on the result of the Company's annual goodwill impairment test or its consolidated financial statements.

In June 2011, the FASB issued guidance to require an entity to present the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements, thus eliminating the option to present the components of other comprehensive income as part of the statement of equity. The Company adopted this guidance in the first quarter of fiscal 2013 by including the required disclosures in two separate but consecutive statements.

Note 3 — Acquisitions

Entities acquired by the Company during the last three fiscal years have been consolidated into the Company's results of operations since their respective acquisition dates. These acquisitions, individually and in the aggregate, were not material in any fiscal year.

During fiscal 2013, the Company acquired Actix International Limited ("Actix"), a provider of software for mobile network optimization, for \$112,405, net of cash. Please see Note 9 to the consolidated financial statements.