FINANCIAL ACCOUNTING STANDARDS BOARD
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July 13, 2012

TO: MEMBERS OF THE FASB EMERGING ISSUES TASK FORCE

Included are the final minutes of the June 21, 2012 meeting of the FASB Emerging Issues Task Force and an inventory of open issues for future EITF meetings. Also included as exhibits are the proposed Accounting Standards Updates for Issues 12-B and 12-D.

Confidential marked versions of the minutes and the exhibits, which show changes from the July 3, 2012 Fatal Flaw draft, are being distributed under separate cover. After your review, please discard the confidential marked versions.

Board Ratification
On Wednesday, July 11, 2012, the Board ratified the consensuses-for-exposure reached by the Task Force on Issues 12-B and 12-D. The Board approved 60-day exposure periods for each of the proposed Updates. The proposed Updates are expected to be posted to the FASB website the week of July 16, 2012.

The next EITF meeting is scheduled for September 11, 2012. The extra EITF meeting date reserved for July 26, 2012, will not be utilized.

Please call me at 203.956.3479 or Rahul Gupta at 203.956.5317 if you have any questions.

Sincerely,
Michael P. Breen
Practice Fellow
mpbreen@fasb.org

Emerging Issues Task Force
Meeting Minutes
June 21, 2012

MINUTES OF THE JUNE 21, 2012 MEETING
OF THE FASB EMERGING ISSUES TASK FORCE

Location: FASB Offices
401 Merritt 7
Norwalk, Connecticut

Thursday, June 21, 2012
Starting Time: 8:30 a.m.
Concluding Time: 12:14 p.m.

Task Force Members Present:
Susan M. Cosper (Chairman)
John M. Althoff
Mark M. Bielstein
James G. Campbell (by video)
L. Charles Evans
Stuart H. Harden
Carl Kampel
Mark LaMonte (by telephone)
Carlo D. Pippolo
Ashwinpaul C. (Tony) Sondhi (by telephone)
Robert Uhl
Lawrence E. Weinstock
Paul A. Beswick (SEC Observer)
Richard C. Paul (FinREC Observer)

Task Force Members Absent:
Matthew L. Schroeder
Judith H. O'Dell (PCFRC Observer)

Others at Meeting Table:

Larry W. Smith, FASB Board Member
Marc A. Siegel, FASB Board Member
Russell G. Golden, FASB Board Member
Thomas J. Linsmeier, FASB Board Member
R. Harold Schroeder, FASB Board Member
Daryl E. Buck, FASB Board Member
Michael P. Breen, FASB Practice Fellow
Rahul Gupta, FASB Practice Fellow
* Lauren K. Alexander, FASB Associate Practice Fellow
* Ben Couch, FASB Valuation Fellow
* Gautam Goswami, FASB Practice Fellow
* Steven M. Kane, FASB Practice Fellow
* Cullen D. Walsh, FASB Practice Fellow

* For certain issues only.

ADMINISTRATIVE MATTERS

- An FASB staff member announced that the FASB chairman made the following EITF agenda decisions regarding issues discussed at the May 14, 2012 EITF Agenda Committee meetings:

    - Issues added to the EITF agenda:
        - EITF Issue No. 12-F, "Recognition of New Accounting Basis (Pushdown) in Certain Circumstances"
    - Issues not added to the EITF agenda:
        - None

- An FASB staff member announced that any consensuses-for-exposure reached at this meeting and any consensuses-for-exposure reached at prior meetings that are affirmed as consensuses at this meeting will be considered by the Board for ratification and exposure for public comment at the July 11, 2012 Board meeting.

- The EITF chairman announced that EITF members James Campbell, Mark LaMonte, and Tony Sondhi were participating by telephone or video conference.

- An FASB staff member announced that the next regularly scheduled EITF meeting is Tuesday, September 11, 2012. The staff member also announced that the extra meeting date reserved for July 26, 2012, has been cancelled. An EITF Agenda Committee meeting is scheduled for July 30, 2012.

- The EITF chairman announced that Mr. Carlo D. Pippolo, Ernst & Young LLP, would be stepping down as a member of the EITF and thanked him for his service. Mr. Pippolo will be replaced by Mr. Jackson Day as a member of the Task Force beginning with the September 11, 2012 meeting.

- The EITF chairman announced that Mr. Rahul Gupta, FASB Practice Fellow, had been appointed to the position of EITF Coordinator replacing Michael P. Breen, FASB Practice Fellow. The EITF chairman thanked Mr. Breen for his contributions.

- The EITF chairman announced the departure of the following FASB Fellows whose terms will be coming to an end in the upcoming months: Mr. Michael P. Breen, Mr. Kevin P. Catalano, Mr. Ben Couch, and Mr. Trent L. Handy. The EITF chairman thanked the departing Fellows for their service.

- An FASB staff member announced the following proposed EITF meeting dates for 2013:

    - **Regular EITF Meeting Dates**
      March 14, 2013
      June 11, 2013
      September 12, 2013
      November 14, 2013

- **Extra EITF Meeting Dates If Needed**
  January 17, 2013
  May 16, 2013
  July 18, 2013
  October 24, 2013

DISCUSSION OF AGENDA TECHNICAL ISSUES

Issue No. 11-A

Title: Parent's Accounting for the Cumulative Translation Adjustment upon the Loss of a Controlling Financial Interest in a Subsidiary or Group of Assets That Is a Nonprofit Activity or a Business within a Consolidated Foreign Entity

Dates Discussed: November 3, 2011; March 15, 2012; June 21, 2012

Introduction

1. A parent entity (parent) may enter into a transaction to sell or transfer a subsidiary or a group of assets that resides within a consolidated foreign entity to an independent third party while retaining its ownership of the foreign entity. Alternatively, the subsidiary or group of assets may be sold directly by the foreign entity. Although a group of assets may represent only a portion of the foreign entity's total net assets, in some cases a group of assets meets the definition of a business as defined in Topic 805, Business Combinations. These transactions may or may not result in the proceeds being distributed from the foreign entity to the parent.

2. Topic 830, Foreign Currency Matters, provides for the cumulative translation adjustment (CTA) to be released into earnings upon the sale or upon complete or substantially complete liquidation of an investment in a foreign entity. Subtopic 810-10, Consolidation—Overall, provides for derecognition of the carrying amount of a former subsidiary's net assets when the parent ceases to have a controlling financial interest in that subsidiary. Though not included in the Codification, paragraph B53 of FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, indicates that when the parent no longer controls the subsidiary's assets and liabilities, the parent derecognizes the assets, liabilities, and equity components related to that subsidiary. Some have interpreted "equity components" to include an allocated portion of the CTA related to the foreign entity in which the subsidiary resides. Subsequent to the issuance of Statement 160, the FASB issued Accounting Standards Update No. 2010-02, *Consolidation (Topic 810): Accounting and Reporting for Decreases in Ownership of a Subsidiary—a Scope Clarification*, which amended the scope of Subtopic 810-10 to apply to subsidiaries and groups of assets that are nonprofit activities or businesses, other than those that are sales of in substance real estate or conveyances of oil and gas mineral rights. While the amendments in Update 2010-02 expanded the scope of Subtopic 810-10, the Board did not specifically address amendments to Topic 830, such as an amendment to the guidance in Section 830-30-40 related to the accounting for the CTA when a subsidiary or a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a consolidated foreign entity is sold or transferred.

3. As a result of the lack of clarity that exists in U.S. GAAP about whether a parent should apply the guidance in Section 830-30-40 or Subtopic 810-10 for the release of the CTA upon the occurrence of a transaction within the scope of paragraph 810-10-40-3A, there is diversity in practice when an entity disposes of a subsidiary or a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral

rights) within a consolidated foreign entity. Specifically, some entities apply the guidance in Subtopic 810-10 and recognize a portion of the CTA associated with the disposed subsidiary or group of assets in earnings, while other entities apply the guidance in paragraph 830-30-40-1 and only recognize the CTA in earnings if the sale or transfer of the subsidiary or group of assets constitutes a complete or substantially complete liquidation of the foreign entity.

Issue

4. This Issue seeks to resolve the diversity in practice about when and how a parent should recognize a portion of the CTA in earnings upon the loss of a controlling financial interest in a subsidiary or a group of assets that is a nonprofit activity or a business (within the scope of paragraph 810-10-40-3A) that is held within a consolidated foreign entity.

Scope

5. This Issue applies to all entities that cease to have a controlling financial interest in a subsidiary or a group of assets within a consolidated foreign entity when (a) the subsidiary or the group of assets is within the scope of paragraph 810-10-40-3A, (b) the functional currency of the consolidated foreign entity is not the parent's reporting currency, and (c) there is a CTA balance associated with the consolidated foreign entity.

Prior EITF Discussion

6. At the November 3, 2011 EITF meeting, the Task Force discussed two views for resolving the divergence in U.S. GAAP for releasing the CTA upon the sale or transfer of a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a consolidated foreign entity. One view is to apply the consolidation guidance (Topic 810), while the other view is to apply the foreign currency guidance (Topic 830).

7. The Task Force also discussed whether a distribution to the parent must occur to permit the release of the CTA into earnings. Some Task Force members agreed with the requirement for a distribution to the parent to occur in concept; however, the Task Force decided against requiring such a distribution for the following reasons:

a. It would be a different model than what may be applied to sales or transfers of subsidiaries for entities that interpret "equity components" in paragraph B53 to include the related portion of the CTA (as described above in paragraph 2).
b. A parent has ultimate control with respect to whether any distributions are made, the amounts of those distributions, and the use of those distributions (for example, the parent may recycle distributions back into the distributing subsidiary, thus bringing into question the rationale and original intent behind such distributions).
c. Questions might be raised about differences in timing of distributions and amounts required to support the release of the CTA.

8. The Task Force reached a consensus-for-exposure to apply the consolidation guidance. That is, a parent should release the related portion of the CTA upon the sale or transfer of a controlling financial interest in a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a

consolidated foreign entity. In support of its conclusion, the Task Force indicated that this view is consistent with the direction of the amendments in Update 2010-02, which align the accounting for the loss of a controlling financial interest in a subsidiary with the accounting for the sale or transfer of a group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights).

9. The Task Force discussed a second issue related to whether it should provide guidance on the measurement of the CTA allocation. The Task Force generally agreed with the FASB staff's recommendation that the amount of CTA that entities should release into earnings should be determined in a systematic and rational manner that reflects an asset group's relative portion of the total CTA associated with the foreign entity (for example, a pro rata portion of the cumulative translation gain or loss attributable to the nonprofit activity or business based on the relative proportion of the net assets of the consolidated foreign entity at the date of disposition or the cumulative translation gain or loss attributable to specific assets and liabilities of the nonprofit activity or business).

10. The Task Force also reached a consensus-for-exposure to clarify the guidance for releasing the CTA into earnings upon the loss of a controlling financial interest in a subsidiary (thereby the substance of currently non-codified paragraph B53 of Statement 160 would be added to the Codification). Additionally, the current reference to Subtopic 810-10 included in Subtopic 830-30 would be amended to cite the applicable paragraphs within Subtopic 810-10 (as opposed to the entire Subtopic).

11. At its November 30, 2011 meeting, the Board ratified the consensus-for-exposure reached by the Task Force for this Issue and approved the issuance of a proposed Update for a 60-day public comment period. The proposed Update was posted to the FASB website on December 8, 2011, with a comment period that ended on February 6, 2012.

12. At the March 15, 2012 EITF meeting, the Task Force was asked to consider the feedback received from the comment letters on the proposed Update. Nine comment letters and some informal comments were received on the proposed Update.

13. The Task Force discussed the feedback received on the proposed Update about applying the consolidations guidance in Topic 810 for releasing the CTA. The FASB staff noted that three of the nine comment letter respondents disagreed with applying the consolidation guidance for releasing the CTA. The three comment letter respondents who disagreed highlighted the operational complexity of changing the guidance to require more frequent release of the CTA and cited the general belief that the CTA is a foreign entity concept, and does not reside in and is not allocable to a subsidiary or group of assets. Some Task Force members noted that there does not appear to be a significant number of preparers with strong views about this Issue. Consistent with the comment letter feedback, however, Task Force members observed that there are some who favor a Topic 810 approach to resolving the diversity in practice and some who favor a Topic 830 approach to resolving the diversity in practice.

14. The Task Force discussed the interaction between the proposed guidance for releasing the CTA with existing hedge accounting guidance. The FASB staff noted that the intention of the proposed Update was not to change the existing hedge accounting guidance to permit (or

prescribe) either a specific identification or a pro-rata approach for determining the amount of accumulated gain or loss on a net investment hedge to release into earnings. Some Task Force members expressed concern with that approach and suggested that the FASB staff perform additional analysis to consider whether the method for measuring the amount of accumulated gain or loss on a net investment hedge to be released into earnings should be, in fact, the same as the method that an entity uses under this Issue to measure the amount of CTA to be released into earnings.

15. Task Force members also raised a concern regarding the scope of this Issue and whether it should be expanded to apply to sales of in substance real estate. The FASB staff noted that the current scope of the Issue is consistent with the scope of Subtopic 810-10 (that is, the current scope excludes in substance real estate). In Update 2010-02, the Board concluded that sales of in substance real estate should not be within the scope of the consolidation guidance but instead should follow existing guidance for sales of real estate. While acknowledging the derecognition differences for businesses within the scope of Subtopic 810-10 and in substance real estate, certain Task Force members indicated that they prefer that the measurement guidance upon derecognition be the same (that is, include the related portion of the CTA).

16. While noting the validity of the aforementioned questions and concerns regarding the operational complexity of applying the amendments in the proposed Update, a Task Force member suggested that those questions only arise if a Topic 810 approach to releasing the CTA is required. As a result, the Task Force member suggested that following a Topic 830 approach may be easier. Other members noted, however, that if some entities are, in fact, releasing the CTA for the sale of a subsidiary within a foreign entity under Topic 810, practice already has addressed the questions and concerns regarding operational complexity. Some Task Force members noted that they believe that it is important to arrive at a consistent approach for (a) subsidiaries (that is, businesses in legal entity form) and (b) groups of assets that constitute a business or nonprofit activity. Those members noted, however, that either a Topic 810 or a Topic 830 approach could be scoped to apply to both subsidiaries and groups of assets that constitute a business or nonprofit activity.

17. In light of the aforementioned concerns, the Task Force requested that the FASB staff perform additional work prior to the Task Force affirming its consensus-for-exposure as a consensus. Specifically, the FASB staff was requested to perform user and preparer outreach to better understand their views on this Issue, including operational complexities. Further, the FASB staff was asked to evaluate certain questions that may arise if the CTA is to be released more frequently. Those questions include the following:

a. Whether the approach to resolve the diversity in practice (which could be either a Topic 810 or a Topic 830 approach) should apply to both (1) subsidiaries already within the scope of Subtopic 810-10 and (2) groups of assets that constitute a business.
b. If applying a Topic 810 approach, whether the method for measuring the amount of accumulated gain or loss on a net investment hedge to be released into earnings should be, in fact, the same as the method that an entity uses under this Issue to measure an asset group's relative portion of the CTA associated with the foreign entity.
c. If applying a Topic 810 approach, whether (1) sales of in substance real estate and/or (2)

conveyances of oil and gas mineral rights should follow the same approach for releasing the CTA as subsidiaries and groups of assets that constitute a business.

d. How the release of CTA interacts with existing guidance that discusses the inclusion of the CTA in the carrying amount of an investment being evaluated for impairment (that is, paragraphs 830-30-45-13 through 45-15).

Current EITF Discussion

18. At the June 21, 2012 EITF meeting, the Task Force discussed the additional outreach and analysis performed by the FASB staff on the consensus-for-exposure. The FASB staff recommended an amended measurement principle that the amount of the related CTA to release into earnings shall be determined in a systematic and rational manner that reflects the subsidiary's (or group of assets') relative portion of CTA associated with the foreign entity. Some Task Force members expressed concern that constituents would interpret that amended measurement principle to require a specific identification approach, which would be an operationally challenging expectation to set. Those Task Force members also expressed concern that since CTA is recognized at a broader unit of account (foreign entity), releasing it at a more specific unit of account (subsidiary or a group of assets that is a nonprofit activity or a business *within* the foreign entity) may be operationally difficult. Further, those Task Force members noted that the staff's outreach indicated that many users do not feel strongly about when CTA is released and that it does not factor into users' trend analysis. Accordingly, in light of those factors and concerns regarding operational complexity, the Task Force reached a tentative conclusion (thereby reversing the Task Force's consensus-for-exposure reached at the November 3, 2011 EITF meeting) that an entity should not release an allocated portion of CTA related to a foreign entity when the entity loses a controlling financial interest in a group of assets that is a nonprofit activity or a business *within* the foreign entity unless that loss represents a complete or substantially complete liquidation of a foreign entity.

19. Since the FASB staff's additional outreach identified that diversity in practice exists concerning the release of CTA upon the loss of a controlling financial interest in a subsidiary, the Task Force also discussed whether it is appropriate for an entity to release an allocated portion of CTA related to a foreign entity in those instances. The Task Force preferred that the same approach be applied to subsidiaries and groups of assets that are non-profit activities or businesses within a foreign entity, and reached a tentative conclusion that an entity should not release an allocated portion of CTA related to a foreign entity when the entity loses a controlling financial interest in a subsidiary *within* the foreign entity unless that loss represents a complete or substantially complete liquidation of a foreign entity. In summary, the Task Force reached a tentative conclusion that the CTA related to a foreign entity should not be allocated to subsidiaries or assets *within* the foreign entity. Therefore, CTA should not be released when a subsidiary or a group of assets *within* the foreign entity is disposed of, unless such disposal results in a complete or substantially complete liquidation of the entity's investment in the foreign entity in accordance with Topic 830.

20. The Task Force then discussed the accounting for transactions at the foreign entity level (as opposed to transactions involving subsidiaries or groups of assets *within* a foreign entity). Specifically, the Task Force discussed when to release CTA for a business combination achieved in stages (commonly referred to as a "step acquisition"). Two views were expressed with respect

to the treatment of CTA in that situation. Some noted that the general principle in Topic 830 is for CTA to be released when the foreign currency exposure is reduced and, as a result, preferred that CTA not be released in that circumstance because the exposure has been increased. Others noted that the investment in the foreign entity (as a unit of account) is being derecognized and, as a result, preferred that CTA be released. Under that view, two events are recognized; the original equity method investment is sold and, simultaneously, a controlling financial interest is obtained. In light of the new tentative conclusion to not allocate CTA to units of account below the foreign entity level (that is, subsidiaries or groups of assets), the Task Force reached a tentative conclusion that if a parent holds an equity method investment that meets the definition of a foreign entity and the parent obtains a controlling financial interest in that foreign entity, the CTA related to that foreign entity should not be released.

21. The Task Force then discussed whether to release CTA when a parent loses a controlling financial interest in a foreign entity. Some Task Force members initially indicated that CTA should only be released if the loss of a controlling financial interest represents a sale or complete or substantially complete liquidation of the foreign entity under Topic 830. The FASB staff noted that such a conclusion may be inconsistent with the current guidance in paragraph 830-30-40-2 (formerly FASB Interpretation No. 37, *Accounting for Translation Adjustments upon Sale of Part of an Investment in a Foreign Entity*), which indicates that

> If a reporting entity sells part of its equity method investment in a foreign entity, a pro rata portion of the accumulated translation adjustment component of equity attributable to that equity method investment shall be recognized in measuring the gain or loss on the sale. For guidance if an entity sells part of its ownership interest in a consolidated foreign entity, see Subtopic 810-10.

22. In light of the Task Force's tentative conclusion to reverse its previous consensus-for-exposure, both the FASB staff and Task Force acknowledged that the circumstances discussed above were not contemplated or analyzed in preparation for the meeting. As a result, the Task Force requested that the staff perform additional work related to implications of the tentative conclusion prior to the Task Force reaching another consensus-for-exposure or a consensus on this Issue. The FASB staff expects to explore the following issues, based on the tentative conclusion that an entity should not release an allocated portion of CTA related to a foreign entity when the entity loses a controlling financial interest in either (a) a subsidiary *within* the foreign entity or (b) a group of assets *within* the foreign entity (within the scope of paragraph 810-10-40-3A) unless that loss represents a complete or substantially complete liquidation of a foreign entity:

a. Whether an entity should release CTA when a parent loses a controlling financial interest in a foreign entity and the remaining interest is (1) an equity method investment, (2) a cost method investment, or (3) an equity security classified as an "available for sale" investment.
b. Whether an entity should release a portion of CTA when a parent sells part of its equity method investment in a foreign entity; that is, revisit the guidance in paragraph 830-30-40-2 (formerly Interpretation 37).
c. Whether an entity should release CTA upon performing a step acquisition. This issue

also is one for which the Task Force reached a tentative conclusion at its June 21, 2012 meeting.

Recurring Disclosures

23. At the November 3, 2011 EITF meeting, the Task Force decided that no additional disclosure requirements should be proposed by this Issue. The Task Force observed that Subtopics 830-30 and 810-10 have existing disclosure requirements that should be applied, if applicable. There was no further discussion on recurring disclosures by the Task Force at the March 15, 2012 and June 21, 2012 EITF meetings.

Transition Method, Transition Disclosures, and Effective Date

24. The Task Force reached a consensus-for-exposure at the November 3, 2011 EITF meeting that this Issue should be applied prospectively for derecognition events occurring after the effective date. Prior periods would not be adjusted. Early adoption would be permitted. At the June 21, 2012 EITF meeting, the Task Force amended its previous consensus-for-exposure and reached a tentative conclusion to also provide preparers with an option to apply the amendments resulting from a consensus on this Issue under a modified retrospective approach in which all prior periods presented would be adjusted (if CTA had been released as a result of a transaction occurring in any of those comparative periods) but opening retained earnings would not be adjusted. The option for a modified retrospective transition would provide entities with the ability to present consistent accounting for similar transactions occurring in prior periods, thereby facilitating comparability within an entity's financial statements.

Status

25. Further discussion is expected at a future EITF meeting.

Issue No. 12-B

Title: Not-for-Profit Entities: Personnel Services Received from an Affiliate for Which the Affiliate Does Not Seek Compensation

Dates Discussed: March 15, 2012; June 21, 2012

Introduction

1. Not-for-profit entities (NFPs) within an affiliate group often operate under arrangements that provide for the engagement of personnel and their deployment for common purposes and projects among the affiliate entities. An entity within an affiliate group may engage personnel who provide services to affiliate not-for-profit entities. Although the compensation and benefits of these personnel are paid for by the contributing entity, it does not seek compensation from the recipient not-for-profit affiliate entity for those personnel costs.

2. Paragraph 958-605-25-17 of Topic 958, Not-for-Profit Entities, provides guidance for the recognition of *contributed* services from affiliates as follows:

> Contributed services (and the related assets and expenses) shall be recognized if employees of separately governed *affiliated* entities regularly perform services (in other than an advisory capacity) for and under the direction of the donee *and the recognition criteria for contributed services are met*. [Emphasis added.]

3. Paragraph 958-605-25-16 provides that *contributions* of *services* shall be recognized if they meet any of the following criteria:

> a. They create or enhance nonfinancial assets.
> b. They require specialized skills, are provided by individuals possessing the skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professionals and craftsmen.
>
> Contributed services and promises to give services that do not meet these criteria shall not be recognized.

4. Paragraph 958-605-30-2 provides that *contributions* received shall be measured at their fair value. Pursuant to the basis for conclusions of FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*, the recognition of *contributed* services (paragraph 958-605-25-16) was limited to services requiring specialized skills or creation or enhancement of nonfinancial assets mainly because of the difficulty involved in placing a monetary value on donated services and the absence of control over those performing the services.

5. Contributions are defined in the Codification as an "unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal

transfer by another entity acting other than as an owner." Questions have arisen about whether a recipient NFP should consider personnel services received from an affiliate as a contribution and apply the above recognition and measurement guidance. Some believe that the measure of control inherent in an affiliate relationship and information available to the affiliated entity about the actual cost of the services provided distinguish such transactions from voluntary services contributed by external donors to justify different recognition and measurement criteria. Practice is diverse. Some not-for-profit entities recognize only those personnel services received from an affiliate that meet the criteria in Subtopic 958-605. However, some other not-for-profit entities recognize all personnel services received from an affiliate, regardless of whether the criteria for contributed services in Subtopic 958-605 are met. Furthermore, some not-for-profit entities measure services received from an affiliate at the amount of cost recognized by the affiliate for the personnel providing those services without considering the fair value, if different than cost, of those services.

Issue

6. This Issue seeks to resolve the diversity in practice about whether recipient NFPs should apply the contributed services guidance in paragraph 958-605-25-17 for recognizing personnel costs incurred on their behalf by an affiliate. If a recipient NFP should not apply this guidance, this Issue seeks to resolve what recognition and measurement guidance that NFP should apply.

Scope

7. This Issue would apply to the standalone financial statements of NFPs that receive personnel services from an affiliate for which the affiliate does not seek compensation.

Prior EITF Discussion

8. At the March 15, 2012 EITF meeting, the Task Force discussed this Issue but did not reach a consensus-for-exposure. The Task Force discussed the following three views that were included in the Issue Summary:

a. View A: Do not apply the contributed services guidance. Recognize all personnel services that are regularly performed for the recipient NFP at actual cost.
b. View B: Do not apply the contributed services guidance. Recognize all personnel services that are regularly performed for the recipient NFP. Measure those personnel services that meet the recognition criteria in paragraph 958-605-25-16 at fair value, otherwise measure at actual cost.
c. View C: Amend paragraph 958-605-25-17 to remove the reference to "performed under the direction of the recipient." Recognize only personnel services that meet the amended recognition criteria in paragraph 958-605-25-17 at fair value.

9. A majority of the Task Force members supported the position in View A that a recipient NFP should recognize all personnel services at actual cost if they are regularly performed by personnel of an affiliate, as defined in the Master Glossary. Two Task Force members preferred View C and expressed concern that applying the guidance in View A would result in inconsistent recognition and measurement criteria for personnel services received from an affiliate compared with those provided by unaffiliated donors. Some Task Force members observed that application of the term "regularly performed" may require judgment.

10. Some Task Force members expressed concern about limiting the scope of this Issue to affiliates, as defined in the Master Glossary, and questioned whether to include other entities, such as affiliated entities, financially interrelated entities, or all related parties.

11. Task Force members also expressed concern about how the presentation of personnel services received from an affiliate as revenues would affect NFPs that have a concept of equity transfers, such as health care entities. An equity transfer is nonreciprocal and embodies no expectation of repayment, nor does the transferor receive anything of immediate economic value. Equity transfers can occur only between related NFPs if one controls the other or both are under common control.

12. The Task Force requested that the FASB staff perform additional research and outreach on this Issue, including consideration of the concerns above regarding financial statement presentation and which NFPs should be included in the scope.

Current EITF Discussion

13. At the June 21, 2012 EITF meeting, the Task Force reached a consensus-for-exposure that in their standalone financial statements, recipient NFPs should not apply the contributed services guidance in paragraph 958-605-25-17 for recognizing personnel services received from an affiliate for which the affiliate does not seek compensation. Instead, in accordance with View A, the recipient NFP should recognize all personnel services received from an affiliate at the cost incurred by the affiliate. The Task Force noted that although components of cost would depend on the nature and type of personnel services provided and could vary from entity to entity, at a minimum all direct personnel costs (for example, compensation and any payroll-related fringe benefits) incurred by the affiliate in providing the services should be recognized by the recipient NFP. The Task Force discussed whether the term "regularly perform" should be retained and used to determine significance when identifying the affiliate employee services to be recognized. The Task Force determined that the term should not be retained, noting that, in general, accounting guidance need not be applied to immaterial items.

14. The Task Force clarified that the intent of the guidance in this Issue is to recognize personnel services received from an affiliate that directly benefit the recipient NFP (that is, are similar to personnel directly engaged by the recipient NFP) but for which the affiliate does not seek compensation for the services provided. For example, that would include recognizing personnel services performed for and under the direction of the recipient NFP and shared services.

15. The Task Force determined that the scope of the Issue would be limited to personnel services that are received from an affiliate. An affiliate is a party that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the recipient NFP.

16. The Task Force also reached a consensus-for-exposure that an NFP that provides a performance indicator (analogous to income from continuing operations of a for-profit entity) should report the increase in net assets associated with personnel services received from an

affiliate and for which the affiliate does not seek compensation as an equity transfer, regardless of whether those personnel services are received from a not-for-profit affiliate entity or a for-profit affiliate entity. For other NFPs that do not present a performance indicator, the Task Force decided not to prescribe presentation guidance for the increase in net assets associated with personnel services received from an affiliate other than prohibiting reporting as a contra-expense or a contra-asset. For all NFPs, the corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of personnel services received from an affiliate should be reported similar to how other such expenses and assets are reported.

Recurring Disclosures

17. The Task Force reached a consensus-for-exposure that no additional recurring disclosures should be required by this Issue. According to the definition of related parties in the Master Glossary, affiliates are related parties. Subtopic 850-10, Related Party Disclosures—Overall, provides disclosure requirements for related-party transactions, which the Task Force considered to be sufficient and applicable for the purposes of this Issue.

Transition

18. The Task Force reached a consensus-for-exposure that the amendments resulting from this Issue should be applied prospectively to personnel services received from an affiliate on or after the date of adoption. An entity would be provided with an option to apply the amendments resulting from this Issue under a modified retrospective approach in which all prior periods presented upon the date of adoption would be adjusted, but no adjustment would be made to the beginning balance of net assets of the earliest period presented. The option for a modified retrospective transition would provide entities with the ability to present consistent accounting for similar transactions occurring in prior periods presented, thereby facilitating comparability within an entity's financial statements. The Task Force decided that early adoption of the amendments resulting from this Issue should be permitted to allow for the elimination of the existing diversity as soon as practicable.

Transition Disclosures

19. The Task Force also reached a consensus-for-exposure that recipient NFPs should apply the transition disclosure requirements in paragraphs 250-10-50-1 through 50-3 for an accounting change resulting from this Issue. No additional transition disclosures would be required.

Board Ratification

20. At the July 11, 2012 meeting, the Board ratified the consensus-for-exposure reached by the Task Force in this Issue and approved the issuance of a proposed Update for a 60-day public comment period.

Status

21. Further discussion is expected at a future EITF meeting.

Issue No. 12-D

Title: Accounting for Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount under the Arrangement Is Fixed at the Reporting Date

Dates Discussed: March 15, 2012; June 21, 2012

Introduction

1. Under joint and several liability, the total amount of an obligation is enforceable against any of the parties to the arrangement. For example, under joint and several liability in a lending arrangement, the lender can demand payment, in accordance with the terms of the arrangement, for the total amount of the obligation from any one of the obligors or any combination of the obligors. The obligors cannot refuse to perform on the basis that other parties also are obligated to perform; however, the paying obligor may be able to pursue the other obligors for repayment, depending on the facts and circumstances.

2. Currently there is diversity in practice in how entities recognize and measure obligations resulting from joint and several liability arrangements. Some entities are recording the entire amount of the obligation and some entities are recording less than the total amount of the obligation, such as an amount allocated or corresponding to proceeds received.

3. Some consider the concept of a liability and the requirements in Subtopic 405-20, Liabilities—Extinguishments of Liabilities, that must be met in order to extinguish a liability. Under those requirements, presenting the full liability on the standalone financial statements of each entity that is jointly and severally liable may be appropriate. Others consider the guidance on contingent liabilities in Subtopic 450-20, Contingencies—Loss Contingencies, and Subtopic 410-30, Asset Retirement and Environmental Obligations—Environmental Obligations, under which an entity may record its estimated portion of the total obligation subject to joint and several liability.

Issue

4. This Issue seeks to resolve diversity in practice about how a reporting entity that is jointly and severally liable should account for an obligation resulting from a joint and several liability arrangement for which the total amount under the arrangement is fixed at the reporting date.

Scope

5. This Issue applies to obligations resulting from joint and several liability arrangements for which the total amount under the arrangement is fixed at the reporting date, except for obligations that otherwise are accounted for under the following Codification Topics:

a. Topic 410, Asset Retirement and Environmental Obligations

b. Topic 450, Contingencies

c. Topic 715, Compensation–Retirement Benefits

d. Topic 740, Income Taxes.

Previous EITF Discussion

6. At the March 15, 2012 EITF meeting, the Task Force discussed this Issue but did not reach a consensus-for-exposure. Some Task Force members expressed concerns about the scope of the Issue as described above. A number of Task Force members indicated that the scope should be limited to obligations resulting from joint and several liability arrangements involving either (a) entities under common control and related parties or (b) entities under common control. Other Task Force members indicated that the scope should include all entities as proposed by the FASB staff and this Issue's working group (a working group meeting was held on January 26, 2012). With respect to the type of obligation included in the scope, some Task Force members questioned whether litigation in which a settlement or judicial decision has been reached (that is, all contingencies have been resolved) should be excluded from the scope of the Issue.

7. The Task Force discussed the following three possible alternatives for recognizing obligations within the scope of this Issue:

a. View A: Each reporting entity that is jointly and severally liable should treat the obligation as a contingent liability and apply the guidance in Subtopic 450-20, recording a liability when it is probable that it will be required to pay an amount and when that amount can be reasonably estimated.

b. View B: Each reporting entity that is jointly and severally liable should treat the obligation as a guarantee and apply the guidance in Topic 460. Note that guarantees between parents and their subsidiaries or among entities under common control are excluded from the initial recognition and measurement requirements of Topic 460, but they are subject to the subsequent measurement and disclosure requirements.

c. View C: Each reporting entity that is jointly and severally liable should record the total amount of the obligation in their respective standalone financial statements.

8. Some Task Force members supported View A because they believe that its application is less complex and less costly. Other Task Force members supported View B because they believe that the accounting for an obligation resulting from a joint and several liability arrangement should be similar to the accounting for a guarantee because there are economic similarities between the two. No Task Force member indicated support for View C. Some Task Force members expressed a potential concern about the costs and complexity of measuring the fair value of the stand-ready obligation under View B, particularly for nonpublic entities.

9. For each view, the corresponding entry to the financial statements for any liability recognized would depend on the facts and circumstances (examples may include cash, expense, receivables that are assessed for impairment, equity transactions, and/or another account). One Task Force member suggested the guidance on the corresponding entry to the financial statements for any obligation resulting from a joint and several liability arrangement recognized under this Issue be addressed as part of, or considered in addressing, this Issue.

10. The Task Force instructed the FASB staff to perform outreach on both the scope of this Issue, including its applicability to unrelated parties and nonpublic entities, and the recognition and measurement approaches for obligations included in the scope of this Issue.

Current EITF Discussion

11. The FASB staff summarized the results of its outreach with users, preparers, and auditors of financial statements as follows.

a. The users of financial statements did not express any preferences on the scope of this Issue. They stated that comprehensive disclosure of obligations resulting from joint and several liability arrangements is the most important consideration for this Issue because no recognition and measurement approach alone could provide them with adequate information to make an informed decision given the inherent uncertainties associated with accounting for such obligations. A majority of users supported the expected payments approach (View A), since they said that in many cases, the measurement of the obligation under the expected payments approach and guarantee accounting approach (View B) would result in a similar liability amount, and indicated that the additional amount under guarantee accounting (that is, the fair value of the stand-ready obligation) may not provide useful information to them and may be difficult to understand.
b. The preparers did not express any preferences on the scope of this Issue, similar to users. With respect to the recognition and measurement approaches, all of the preparers supported View A, due to concerns about the complexities and costs associated with measuring the fair value of the stand-ready obligation under View B. They stated that the extent to which estimates are required to measure the fair value of the stand-ready obligation resulting from a joint and several liability arrangement may cause comparability issues among entities, and they questioned whether the costs of the approach would outweigh the benefits to financial statement users. Most preparers' experiences with joint and several liability arrangements were limited to entities under common control and therefore they were indifferent to the approaches under Views A and B since the measurement of the obligation would be the same under both of those approaches for entities under common control.
c. The auditors did not have a consistent view on the type of entity that should be included in the scope. Some auditors thought the scope should include all entities with obligations resulting from joint and several liability arrangements because they did not think that there was a conceptual basis for limiting the scope. Other auditors suggested the recognition and measurement approach selected might influence their opinion on the scope. With respect to the recognition and measurement approaches, several auditors thought that View B might be more supportable on a conceptual basis than View A. They observed that a guarantee and joint and several liability are economically similar; therefore, they thought it was preferable for the accounting approaches to be similar. However, they recognized that there might be costs and complexities associated with estimating the stand-ready obligation under View B for joint and several liability arrangements involving related parties. They also were concerned about the offsetting entry under View B, particularly for the obligation to stand ready to perform. Due to the

practical concerns of preparers and the views of users on View B, most auditors indicated their support for View A.

12. At the June 21, 2012 EITF meeting, the Task Force reached a consensus-for-exposure as discussed below. The scope of this Issue includes all entities because the Task Force does not believe that there is a basis on which to exclude unrelated parties and if unrelated parties were excluded, they believe that those entities would apply this guidance by analogy since there would be no specific U.S. GAAP to apply. Task Force members also wanted to ensure that joint and several liability arrangements involving joint venturers, which may be unrelated parties, were included in the scope of this Issue. The Task Force requested that the FASB staff obtain additional information about the nature of joint and several liability arrangements among unrelated parties during the exposure period of the consensus-for-exposure.

13. The Task Force decided that the recognition and measurement approach for obligations resulting from joint and several liability arrangements included in the scope of this Issue should be a modified version of the approach proposed under View A. Under this modification, the guarantee guidance in Topic 460 would apply to joint and several liability arrangements if the entity's role is primarily that of a guarantor. To determine whether the primary role of the reporting entity is that of a guarantor, the entity should evaluate the guidance related to guarantees in Topic 460, including the scope guidance in paragraph 460-10-15-4, and evaluate all facts and circumstances of the arrangement, including whether the reporting entity receives explicit consideration for standing ready. In addition, the Task Force concluded that there is a presumption that the minimum measurement of the liability is the greater of (a) the portion of the amount that the entity agreed to pay among co-obligors (for example, the amount received in some cases) and (b) the amount that the entity expects to pay (for example, if the entity expects to have to pay additional amounts on behalf of other joint obligors).

Recurring Disclosures

14. The Task Force reached a consensus-for-exposure that the following disclosures should be required for each obligation resulting from joint and several liability arrangements:

a. The nature of the arrangement, including how the liability arose, the relationship with other co-obligors, and the terms and conditions of the arrangement
b. The total outstanding amount under the arrangement, which should not be reduced by the effect of any amounts that may be recoverable from other entities
c. The carrying amount, if any, for the entity's liability and the carrying amount of a receivable recognized, if any
d. The nature of any recourse provisions that would enable recovery from other entities of the amounts paid, including any limitations on the amounts that might be recovered
e. In the period the liability is initially recognized and measured or in a period the measurement changes significantly, the corresponding entry and where it was recorded in the financial statements.

Transition Method

15. The Task Force reached a consensus-for-exposure that the amendments resulting from this Issue should be applied retrospectively to all prior periods presented for those obligations

resulting from joint and several liability arrangements that exist at the beginning of the entity's fiscal year of adoption. An entity that changes its accounting as a result of adopting the amendments resulting from this Issue may elect to use hindsight for the comparative periods and should disclose that fact. Earlier application would be permitted.

Transition Disclosures

16. The Task Force also reached a consensus-for-exposure that entities should apply the transition disclosure requirements in paragraphs 250-10-50-1 through 50-3 for an accounting change resulting from this Issue. No additional transition disclosures would be required.

Board Ratification

17. At the July 11, 2012 meeting, the Board ratified the consensus-for-exposure reached by the Task Force in this Issue and approved the issuance of a proposed Update for a 60-day public comment period.

Status

18. Further discussion is expected at a future EITF meeting.

Status of Open Issues and Agenda Committee Items

The following represents the FASB staff's assessment of the status and immediate plans with respect to the open Issues on the Task Force's agenda. The Issues that will be added to the proposed agenda for the September 11, 2012 meeting will be considered either high priority issues or issues on which meaningful progress can be made within the staff's given complement of resources. The staff's prioritization of issues is based primarily on the FASB staff's understanding of the level of diversity in practice created by each respective Issue, the financial reporting implications of that diversity, the current interaction, if any, of the Issues with active Board projects, and current resource availability among the staff (with respect to both time and relevant technical expertise).

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	EITF Liaison	FASB Staff	Immediate Plans	Due Date - Next Deliverable
11-A	Parent's Accounting for the Cumulative Translation Adjustment upon the Loss of a Controlling Financial Interest in a Subsidiary or Group of Assets That Is a Nonprofit Activity or a Business within a Consolidated Foreign Entity	7/11	11/11, 3/12, 6/12	9/12	Bielstein	Harris/ Kane/ Alexander	The FASB staff will prepare an Issue Supplement	September 11, 2012 EITF meeting
12-A	Not-for-Profit Entities: Classification of the Sale of Donated Securities in the Statement of Cash Flows	2/12	3/12	9/12	Evans	Irwin/ Gupta	The FASB staff will prepare an Issue Supplement addressing comments received on the proposed Update	Comment deadline July, 16, 2012; September 11, 2012 EITF meeting

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	EITF Liaison	FASB Staff	Immediate Plans	Due Date - Next Deliverable
12-B	Not-for-Profit Entities: Personnel Services Received from an Affiliate for Which the Affiliate Does Not Seek Compensation	2/12	3/12, 6/12	9/12	Althoff	Goswami/ Catalano	The FASB staff will prepare an Issue Supplement addressing comments received on the proposed Update	Comment deadline week of September 17, 2012; November 1, 2012 EITF meeting
12-C	Subsequent Accounting for an Indemnification Asset Recognized at the Acquisition Date as a Result of a Government-Assisted Acquisition of a Financial Institution	2/12	3/12	9/12	Day	Shah/ Handy	The FASB staff will prepare an Issue Supplement addressing comments received on the proposed Update	Comment deadline July 16, 2012; September 11, 2012 EITF meeting
12-D	Accounting for Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligation Is Fixed at the Reporting Date	2/12	3/12, 6/12	9/12	Uhl	Walsh/ Gupta	The FASB staff will prepare an Issue Supplement addressing comments received on the proposed Update	Comment deadline week of September 17, 2012; November 1, 2012 EITF meeting

Issue No.	Description	Date Added	Date(s) Discussed	Next Meeting	EITF Liaison	FASB Staff	Immediate Plans	Due Date - Next Deliverable
12-E	Accounting for Fair Value Information That Arises after the Measurement Date and Its Inclusion in the Impairment Analysis of Unamortized Film Costs	2/12	3/12	9/12	Uhl	Couch/ Alexander	The FASB staff will prepare an Issue Supplement addressing comments received on the proposed Update	Comment deadline July 16, 2012; September 11, 2012 EITF meeting
12-F	Recognition of New Accounting Basis (Pushdown) in Certain Circumstances	5/12	N/A	TBD	TBD	Gupta/ Or	The FASB staff will prepare an Issue Summary that includes a Working Group Report	A Working Group will meet on July 26, 2012

Other EITF Issues including Inactive Issues Pending Developments in Board Projects							
Issue No.	**Description**	**Date Added**	**Date(s) Discussed**	**Next Meeting**	**FASB Staff**	**Immediate Plans**	**Due Date - Next Deliverable**
03-15	Interpretation of Constraining Conditions of a Transferee in a Collateralized Bond Obligation Structure	11/02	N/A	Not scheduled	TBD	Statement 166 addressed this Issue and, therefore, the FASB staff will request that the Issue be removed from the EITF's technical agenda at a future meeting.	Future Agenda Committee or EITF Meeting
06-12	Accounting for Physical Commodity Inventories for Entities within the Scope of the AICPA Audit and Accounting Guide, Brokers and Dealers in Securities	8/06	11/06	Not scheduled	TBD	No immediate plans to address this Issue.	Future EITF Meeting

Other EITF Issues including Inactive Issues Pending Developments in Board Projects							
Issue No.	**Description**	**Date Added**	**Date(s) Discussed**	**Next Meeting**	**FASB Staff**	**Immediate Plans**	**Due Date - Next Deliverable**
09-D	Application of the AICPA Audit and Accounting Guide, Investment Companies, by Real Estate Investment Companies	2/09	N/A	Not scheduled	TBD	Pending the outcome of the Board's projects on consolidation, investment companies, and investment properties.	Future EITF Meeting
10-B	Accounting for Multiple Foreign Exchange Rates	3/10	7/10, 9/10	Not scheduled	TBD	No immediate plans to address this Issue.	N/A

Issues Pending Further Consideration by the Agenda Committee							
Issue No.	**Description**	**Date Added**	**Date(s) Discussed**	**Next Meeting**	**FASB Staff**	**Immediate Plans**	**Due Date - Next Deliverable**
N/A	Application of EITF Issue No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," When a Special-Purpose Entity Holds Equity Securities and Whether an Investment That Is Redeemable at the Option of the Investor Should Be Considered an Equity Security or Debt Security	9/00	N/A	Not scheduled	TBD	Statement 155 did not address this Issue. Therefore, the FASB staff will bring this Issue to the Agenda Committee at a future meeting to determine whether to begin discussions on this Issue.	Future Agenda Committee meeting

FINANCIAL ACCOUNTING SERIES

EXPOSURE DRAFT

Proposed Accounting Standards Update

Issued: July XX, 2012
Comments Due: September XX, 2012

Not-for-Profit Entities (Topic 958)

Personnel Services Received from an Affiliate for Which the Affiliate Does Not Seek Compensation

a consensus of the FASB Emerging Issues Task Force

This Exposure Draft of a proposed Accounting Standards Update of Topic 958 is issued by the Board for public comment. Written comments should be addressed to:

Technical Director
File Reference No. EITF-12B

Financial Accounting Standards Board
of the Financial Accounting Foundation

The *FASB Accounting Standards Codification*® is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. An Accounting Standards Update is not authoritative; rather, it is a document that communicates how the Accounting Standards Codification is being amended. It also provides other information to help a user of GAAP understand how and why GAAP is changing and when the changes will be effective.

Notice to Recipients of This Exposure Draft of a Proposed Accounting Standards Update

The Board invites comments on all matters in this Exposure Draft and is requesting comments by September XX, 2012. Interested parties may submit comments in one of two ways:

- Emailing a written letter to director@fasb.org, File Reference No. EITF-12B
- Sending written comments to "Technical Director, File Reference No. EITF-12B, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116."

Do not send responses by fax.

All comments received are part of the FASB's public file. The FASB will make all comments publicly available by posting them to the online public reference room portion of its website.

An electronic copy of this Exposure Draft is available on the FASB's website.

Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116

Proposed Accounting Standards Update

Not-for-Profit Entities (Topic 958)

Personnel Services Received from an Affiliate for Which the Affiliate Does Not Seek Compensation

July XX, 2012

Comment Deadline: September XX, 2012

CONTENTS

Summary and Questions for Respondents

Why Is the FASB Issuing This Proposed Accounting Standards Update (Update)?

The revenue recognition guidance for not-for-profit entities requires that contributed services be recognized at fair value if employees of separately governed affiliated entities regularly perform services (in other than an advisory capacity) for and under the direction of the donee. In addition, that guidance indicates that only those contributed services that (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and typically would need to be purchased if not provided by donation should be recognized. A contribution is defined in the Master Glossary of the FASB Accounting Standards Codification® as an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner. Differing views exist in practice about whether a recipient not-for-profit entity should consider personnel services received from an affiliate as a contribution and apply the above contributed services guidance.

The objective of the amendments in this proposed Update is to resolve the diversity in practice about the guidance that not-for-profit entities should apply for recognizing and measuring personnel services received from an affiliate, that is, a party that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the recipient not-for-profit entity.

Who Would Be Affected by the Amendments in This Proposed Update?

The amendments in this proposed Update would apply to the standalone financial statements of not-for-profit entities, including not-for-profit business-oriented health care entities, that receive personnel services from an affiliate and for which the affiliate does not seek compensation from the recipient not-for-profit entity.

What Are the Main Provisions?

The amendments in this proposed Update would require a recipient not-for-profit entity to recognize in its standalone financial statements all personnel services received from an affiliate that directly benefit the recipient not-for-profit entity. Those services would be measured at the cost recognized by the affiliate for the personnel providing those services. A not-for-profit entity that provides a performance indicator (analogous to income from continuing operations of a for-profit entity) would report the increase in net assets associated with personnel services received from an affiliate and for which the affiliate does not seek compensation as an equity transfer, regardless of whether those services are received from a not-for-profit affiliate entity or a for-profit affiliate entity. For other not-for-profit entities that do not present a performance indicator, this proposed Update would not prescribe presentation guidance for the increase in net assets associated with personnel services received from an affiliate other than prohibiting reporting as a contra-expense or a contra-asset. All not-for-profit entities would report the corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of personnel services received from an affiliate similar to how other such expenses and assets are reported. The proposed amendments also specify that Subtopic 850-10, Related Party Disclosures-Overall, would apply to personnel services received from an affiliate.

How Would the Main Provisions Differ from Current U.S. Generally Accepted Accounting Principles (GAAP) and Why Would They Be an Improvement?

The amendments in this proposed Update would improve current U.S. GAAP by requiring all not-for-profit entities that receive personnel services from an affiliate and for which the affiliate does not seek compensation to apply the same recognition and measurement basis, thus reducing diversity in practice and enhancing comparability of financial information. The proposed amendments also would enhance transparency about the total program and supporting costs incurred by the recipient not-for-profit entity.

When Would the Amendments Be Effective?

The amendments in this proposed Update would be applied on a prospective basis. An entity would be provided with an option to apply the proposed amendments under a modified retrospective approach in which all prior periods presented upon the date of adoption would be adjusted, but no adjustment would be made to the beginning balance of net assets of the earliest period presented. Early adoption would be permitted. The effective date will be determined after the Task Force considers stakeholder feedback on the proposed Update.

How Do the Proposed Provisions Compare with International Financial Reporting Standards (IFRS)?

IFRS does not provide industry-specific guidance for not-for-profit entities, including personnel services received from an affiliate.

Questions for Respondents

The Board invites individuals and organizations to comment on all matters in this proposed Update, particularly on the issues and questions below. Comments are requested from those who agree with the proposed guidance as well as from those who do not agree. Comments are most helpful if they identify and clearly explain the issue or question to which they relate. Those who disagree with the proposed guidance are asked to describe their suggested alternatives, supported by specific reasoning.

Question 1: Do you agree that the scope of this proposed Update should be limited to the standalone financial statements of not-for-profit entities that receive personnel services from an affiliate, that is, a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the recipient not-for-profit entity? If not, please explain why.

Question 2: Do you agree that a recipient not-for-profit entity should recognize all personnel services received from an affiliate that directly benefit the recipient not-for-profit entity (that is, are similar to personnel directly engaged by the recipient not-for-profit entity) but for which the affiliate does not seek compensation for the services provided? If not, please explain why.

Question 3: Do you agree that a recipient not-for-profit entity should measure the personnel services received from an affiliate at the cost incurred by the affiliate? Furthermore, do you agree that, at a minimum, cost should include all direct personnel costs (for example, compensation and any payroll-related fringe benefits) incurred by the affiliate in providing the services to the recipient not-for-profit entity? If not, please explain why.

Question 4: Do you agree that a recipient not-for-profit entity that presents a performance indicator (such as a not-for-profit business-oriented health care entity) should report the increase in net assets associated with personnel services received from an affiliate and for which the affiliate does not seek compensation as an equity transfer, regardless of whether those personnel services are received from a not-for-profit affiliate entity or a for-profit affiliate entity? If not, please explain why.

Question 5: For a recipient not-for-profit entity that does not present a performance indicator, do you agree that presentation guidance should not be prescribed for the increase in net assets associated with personnel services received from an affiliate other than prohibiting reporting as a contra-expense or a contra-asset? If not, please explain why.

Question 6: Do you agree that, except for the related party disclosures in Subtopic 850-10, no other recurring disclosures should be required for a not-for-profit entity that receives personnel services from an affiliate? If not, please explain why.

Question 7: Do you agree that the proposed amendments should be applied by a recipient not-for-profit entity prospectively? If not, please explain why.

Question 8: Do you agree that a recipient not-for-profit entity should be provided with an option to apply the proposed amendments under a modified retrospective approach in which all prior periods presented upon the date of adoption would be adjusted but no adjustment would be made to the beginning balance of net assets of the earliest period presented? If not, please explain why.

Question 9: Do you agree that a recipient not-for-profit entity should be permitted to early adopt the proposed amendments? If not, please explain why.

Question 10: How much time is needed to implement the proposed amendments? Please explain.

Amendments to the *FASB Accounting Standards Codification*®

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–11. In some cases, to put the change in context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is underlined and deleted text is ~~struck out~~.

Amendments to Master Glossary

2. Add the Master Glossary term *Affiliate* to Section 958-720-20 as follows:

Affiliate

A party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with an entity.

Amendments to Subtopic 954-10

3. Amend paragraph 954-10-05-3, with a link to transition paragraph 958-720-65-1, as follows:

Health Care Entities—Overall

Overview and Background

> Not-for-Profit, Business-Oriented Health Care Entities

954-10-05-3 This Topic provides specific incremental reporting guidance for not-for-profit, business-oriented health care entities. The guidance in Topic 958 applies to all **not-for-profit entities** (NFPs), regardless of whether the entity is essentially self-sustaining from fees charged for goods and services. The following Subtopics, among others in that Topic, provide guidance that is applicable to not-for-profit, business-oriented health care entities:

a. Contributions (see the Contributions Received Subsections of Subtopic 958-605), which include all of the following:

1. Permanent endowments

2. Gifts in kind

3. Contributed utilities, facilities, or use of long-lived assets.

b. Transfers to an NFP or charitable trust that raises or holds contributions for others (see the Transfers of Assets Subsections of Subtopic 958-605)

c. Contributions received by agents, trustees, and intermediaries (see the Transfers of Assets Subsections of Subtopic 958-605)

d. Split-interest agreements (see Subtopic 958-30)

e. Financial statements of NFPs (see Topic 958), which include all of the following:

   1. Presentation in financial statements (see Subtopic 958-205)

   2. Statement of financial position (see Subtopic 958-210)

   3. Statement(s) of operations and changes in net assets (see Subtopic 958-225)

   4. Statement of cash flows (see Subtopic 958-230).

f. Promises to give (see Subtopic 958-310)

ff. Business combinations (see Subtopic 958-805), which include all of the following:

   1. Mergers of not-for-profit entities

   2. Acquisitions by not-for-profit entities

g. Consolidation (see Subtopic 958-810).

<u>h. Personnel services received from an affiliate (see Subtopic 958-720).</u>

Amendments to Subtopic 958-605

4. Amend paragraph 958-605-25-17, with a link to transition paragraph 958-720-65-1, as follows:

Not-for-Profit Entities—Revenue Recognition

Recognition

958-605-25-17 ~~Contributed services (and the related assets and expenses) shall be recognized if employees of separately governed affiliated entities regularly perform services (in other than an advisory capacity) for and under the direction of the donee and the recognition criteria for contributed services are met.~~ For personnel services received from an affiliate for which the affiliate does not seek compensation, the guidance in Subtopic 958-720 shall be followed.

Amendments to Subtopic 958-720

Not-for-Profit Entities—Other Expenses

5. Amend paragraph 958-720-05-1 and add paragraph 958-720-05-7 and its related heading, with a link to transition paragraph 958-720-65-1, as follows:

Overview and Background

General

958-720-05-1 This Subtopic provides guidance on reporting expenses for **{add glossary link}**not-for-profit entities**{add glossary link}** (NFPs). The guidance in this Subtopic is presented in the following ~~two~~ three Subsections:

a. General
b. Accounting for Costs of Activities that Include Fundraising.
c. Personnel Services Received from an Affiliate.

Personnel Services Received from an Affiliate

958-720-05-7 The Personnel Services Received from an Affiliate Subsections provide guidance for reporting personnel services received by a **not-for-profit entity** (NFP) from an **affiliate** in circumstances in which the affiliate does not seek compensation from the recipient NFP.

6. Add paragraphs 958-720-15-6 through 15-8 and their related headings, with a link to transition paragraph 958-720-65-1, as follows:

Scope and Scope Exceptions

Personnel Services Received from an Affiliate

> Overall Guidance

958-720-15-6 The Personnel Services Received from an Affiliate Subsections follow the same Scope and Scope Exceptions as outlined in the General Subsections of this Subtopic, see paragraph 958-720-15-1, with specific exceptions noted below.

> Entities

958-720-15-7 The guidance in the Personnel Services Received from an Affiliate Subsections applies to all **not-for-profit entities** (NFPs) that receive personnel services from an **affiliate** for which the affiliate does not seek compensation from the recipient NFP.

> Transactions

958-720-15-8 The guidance in the Personnel Services Received from an Affiliate Subsections applies to personnel services received from an affiliate, for which the affiliate does not seek compensation from the recipient NFP. Seeking compensation generally would mean seeking the recovery of at least a substantial amount of the direct personnel costs (for example, compensation and any payroll-related fringe benefits) incurred by the affiliate in providing the services to the recipient NFP. The guidance does not address transactions between affiliates in other circumstances.

7. Add paragraph 958-720-25-9 and its related heading, with a link to transition paragraph 958-720-65-1, as follows:

Recognition

Personnel Services Received from an Affiliate

958-720-25-9 A **not-for-profit entity** (NFP) shall recognize in its standalone financial statements all personnel services received from an **affiliate** that directly benefit the recipient NFP (that is, are similar to personnel directly engaged by the recipient NFP). For example, that would include personnel services performed for and under the direction of the recipient NFP and shared services. Shared services generally refers to services provided by a centralized function of one or more individuals within the affiliate group that otherwise typically would need to be purchased or donated, if not provided by those personnel.

8. Add paragraph 958-720-30-2 and its related heading, with a link to transition paragraph 958-720-65-1, as follows:

Initial Measurement

Personnel Services Received from an Affiliate

958-720-30-2 Personnel services received from an **affiliate** for which the affiliate does not seek compensation from the recipient **not-for-profit entity** (NFP) shall be measured by the recipient NFP at the cost recognized by the affiliate in providing those services. Although the components of cost would depend on the nature and type of services provided and could vary from entity to entity, at a minimum, cost should include all direct personnel costs (for example, compensation and any payroll-related fringe benefits) incurred by the affiliate in providing the services to the recipient NFP.

9. Add paragraphs 958-720-45-56 through 45-57 and their related heading, with a link to transition paragraph 958-720-65-1, as follows:

Other Presentation Matters

Personnel Services Received from an Affiliate

958-720-45-56 A **not-for-profit entity** (NFP) that presents a **performance indicator** (such as NFP business-oriented health care entities) shall follow the guidance in Subtopic 954-225 to report the increase in net assets associated with personnel services received from an **affiliate** and for which the affiliate does not seek compensation as an **equity transfer,** regardless of whether those services are received from a not-for-profit affiliate entity or a for-profit affiliate entity. For other NFPs that do not present a performance indicator, this Subtopic does not provide presentation guidance for the increase in net assets associated with personnel services received from an affiliate other than prohibiting reporting as a contra-expense or a contra-asset.

958-720-45-57 The corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of personnel services received from an affiliate shall be reported similar to how other such expenses and assets are reported by not-for-profit business-oriented health care entities under Topic 954 and other NFPs under Topic 958.

10. Add paragraph 958-720-50-3 and its related heading, with a link to transition paragraph 958-720-65-1, as follows:

Disclosure

Personnel Services Received from an Affiliate

958-720-50-3 The disclosures in Subtopic 850-10 shall be provided for personnel services received by a **not-for-profit entity** from an **affiliate**.

11. Add paragraph 958-720-65-1 and its related heading as follows:

> Transition Related to Accounting Standards Update No. 2012-XX, *Not-for-Profit Entities (Topic 958): Personnel Services Received from an Affiliate for Which the Affiliate Does Not Seek Compensation*

958-720-65-1 The following represents the transition and effective date information related to Accounting Standards Update No. 2012-XX, *Not-for-Profit Entities (Topic 958): Personnel Services Received from an Affiliate for Which the Affiliate Does Not Seek Compensation:*

a. An entity shall apply the pending content that links to this paragraph in either of the following ways:
    1. Prospectively for fiscal years ending after [date to be inserted after exposure] and interim and annual periods thereafter
    2. Using a modified retrospective approach in which all prior periods presented upon the date of adoption would be adjusted but no adjustment would be made to the beginning balance of net assets of the earliest period presented.

b. Early adoption of the pending content that links to this paragraph is permitted.

c. An entity shall provide the disclosures in paragraphs 250-10-50-1 through 50-3 in the period that the entity adopts the pending content that links to this paragraph.

The amendments in this proposed Update were approved for publication by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Leslie F. Seidman, *Chairman*
Daryl E. Buck
Russell G. Golden
Thomas J. Linsmeier
R. Harold Schroeder
Marc A. Siegel
Lawrence W. Smith

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Task Force's considerations in reaching the conclusions in this proposed Update. It includes the Board's basis for ratifying the Task Force conclusions when needed to supplement the Task Force's considerations. It also includes reasons for accepting certain approaches and rejecting others. Individual Task Force and Board members gave greater weight to some factors than to others.

Background Information

BC2. Not-for-profit entities within an affiliate group often operate under arrangements that provide for the engagement of personnel and their deployment or use for common purposes and projects among the affiliate entities. For example, an entity within an affiliate group may engage personnel who provide services to affiliate not-for-profit entities. These personnel may provide core program services for the recipient not-for-profit affiliate entity or may be involved in supporting management or fund-raising activities. Although the compensation and benefits of these personnel are paid for by the contributing entity, it does not seek compensation from the recipient not-for-profit affiliate entity for those personnel costs.

BC3. Subtopic 958-605 provides guidance on the accounting for contributed services, including those performed by employees of affiliated entities. The guidance on contributed services was codified from FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made,* and the AICPA Audit and Accounting Guide, *Not-for-Profit Entities*. For affiliated entities, the guidance in paragraph 958-605-25-17 requires that contributed services (and the related assets and expenses) be recognized if employees of separately governed affiliated entities regularly perform services in other than an advisory capacity for and under the direction of the donee.[1] In addition, similar to the criteria in paragraph 958-605-25-16 for recognizing contributions of services from external donors, the guidance in paragraph 958-605-25-17 indicates that only those contributed services that (a) create or enhance nonfinancial assets or (b) require specialized skills, that are provided by individuals possessing those skills, and that typically would need to be purchased if not provided by donation should be recognized. Paragraph 958-605-30-2 provides that contributions received should

[1] The term *affiliated entities*, as used in paragraph 958-605-25-17, is not defined.

be measured at fair value. The basis for conclusions of Statement 116 indicates that the recognition of contributed services was limited to services requiring specialized skills or creation or enhancement of nonfinancial assets mainly because of the difficulty involved in placing a monetary value on donated services and the absence of control over those performing the services.

BC4. A contribution is defined in the Master Glossary as "an unconditional transfer of cash or other assets to an entity or a settlement or cancellation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than as an owner." Some stakeholders raised concerns about whether the measure of control inherent in an affiliate relationship and information available to the affiliate about the cost of the personnel services provided justify recognition and measurement bases that are different from the guidance in Subtopic 958-605 for voluntary services contributed by external donors. Those concerns have led to diversity in practice. For example, some not-for-profit entities recognize only those personnel services received from an affiliate that meet the criteria in Subtopic 958-605. However, some other not-for-profit entities recognize all personnel services received from an affiliate, regardless of whether the criteria for contributed services in Subtopic 958-605 are met. Furthermore, some not-for-profit entities measure personnel services received from an affiliate at the amount of cost recognized by the affiliate for the personnel providing those services without considering the fair value, if different from cost, of those services.

Scope and Other Considerations

BC5. The Task Force decided to limit the scope of this proposed Update to the standalone financial statements of not-for-profit entities that receive personnel services from an affiliate and for which the affiliate does not seek compensation from the recipient not-for-profit entity. The scope of this proposed Update would apply regardless of whether the personnel services are received from a not-for-profit affiliate entity or a for-profit affiliate entity. In considering the scope, the Task Force observed that paragraph 958-605-25-17 provides guidance for contributed services received from employees of affiliated entities and precludes services that are not specialized or that do not create or enhance assets from being recognized. The Task Force determined that concerns about the scope and requirements of that guidance and the diversity in application justify limiting this proposed Update only to personnel services received from an affiliate.

BC6. The Task Force agreed that personnel services received from affiliates are fundamentally different transactions than voluntary services contributed by external donors and thus require different accounting treatment. The Task Force reached a consensus-for-exposure that paragraph 958-605-25-17 should be replaced with guidance that would require a not-for-profit entity to recognize in its standalone financial statements all personnel services received from an affiliate that directly benefit the recipient not-for-profit entity. Those services would be measured at the cost recognized by the affiliate for the personnel providing those services.

BC7. The Task Force discussed whether the term *regularly perform*, as used in paragraph 958-605-25-17, should be retained and used in the proposed amendments to determine significance when identifying the affiliate employee services to be recognized. The Task Force determined that the term should not be retained, noting that, in general, accounting guidance need not be applied to immaterial items.

BC8. In arriving at its consensus-for-exposure, the Task Force noted stakeholders' concerns that not recognizing personnel services received from an affiliate in the financial statements of the recipient not-for-profit entity results in an understatement of resources available to the recipient not-for-profit entity and its related expenses for program services and supporting activities. Such information is relevant to users of a not-for-profit entity, particularly donors and grantors. The Task Force observed that the recognition criteria in Subtopic 958-605 were based, in large part, on the difficulty of placing a monetary value on donated services and the absence of control over those performing the services. The situations addressed in this proposed Update are different because those providing the services are personnel engaged by an affiliate and that affiliate can provide the actual cost information for the services provided for the recipient not-for-profit entity.

BC9. The Task Force determined that only personnel transactions between affiliates should be included within the scope of this proposed Update. The Master Glossary defines an affiliate as "a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with an entity." Because one of the characteristics that distinguish a not-for-profit entity from a business entity is the absence of ownership interests like those of business entities, the guidance in Subtopic 958-810, Not-for-Profit Entities—Consolidation, was considered to determine what constitutes control in a not-for-profit environment. That Subtopic defines control as "the direct or indirect ability to determine the direction of management and policies through ownership, contract, or otherwise" and indicates that control may be evidenced in various ways, including a majority voting interest in the board, sole corporate membership, or through contract or affiliation agreement. The Task Force believes that the broad definition of control included in the definition of an affiliate, which includes control by contract or otherwise, would address entities intended to be included in the scope of the proposed guidance. Furthermore, because information about the cost of personnel services provided by an entity that controls, is controlled by, or is under common control with the recipient not-for-profit entity is likely to be readily available, the Task Force believes that including affiliates, as defined, within the scope of the proposed guidance would meet the cost-benefit objective. In addition, the measure of control inherent in an affiliate relationship distinguishes such personnel transactions from voluntary services contributed by external donors to justify recognition and measurement bases that are different from paragraph 958-605-25-17.

BC10. For not-for-profit entities that present a performance indicator (analogous to income from continuing operations of a for-profit entity), the Task Force agreed that personnel services received from an affiliate and for which the affiliate does not seek compensation would meet the definition of an equity transfer. Therefore, the Task Force determined that a not-for-profit entity that provides a performance indicator (such as a not-for-profit business-oriented health care entity) would report the increase in net assets associated with personnel services received from an affiliate as an equity transfer. The guidance in paragraph 954-225-45-2 indicates that equity transfers should be reported separately as changes in net assets, that the transfers are excluded from the performance indicator, and that they do not result in any step-up in the basis of the underlying assets transferred. As defined in the Master Glossary, equity transfers "can occur only between related not-for-profit entities (NFPs) if one controls the other or both are under common control." Therefore, a strict interpretation of the definition would appear to suggest that if a not-for-profit business-oriented health care entity receives personnel services from a for-profit affiliate entity, the transaction should not be reported as an equity transfer. The Task Force clarified that for purposes of the proposed guidance, a not-for-profit entity that provides a performance indicator would report the increase in net assets associated with personnel services received from an affiliate and for which the affiliate does not seek compensation as an equity transfer, regardless of whether those services are received from a not-for-profit affiliate entity or a for-profit affiliate entity.

BC11. For other not-for-profit entities that do not present a performance indicator, the Task Force determined that, consistent with the presentation discussions in paragraphs 958-225-45-9 through 45-12, the consensus-for-exposure would not prescribe whether the increase in net assets associated with personnel services received from an affiliate should be included within or outside an intermediate measure of operations, if one is presented. For those other not-for-profit entities that do not present a performance indicator, the Task Force also decided not to require separate line-item presentation because it believes that the required note disclosures under Subtopic 850-10 would provide adequate information about amounts recognized. However, the Task Force decided to prohibit presentation of the increase in net assets associated with personnel services received from an affiliate as a contra-expense or a contra-asset because that presentation would adversely affect transparency.

BC12. For all not-for-profit entities, the Task Force determined that the corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of personnel services received from an affiliate would be reported similar to how other such expenses and assets are reported because it would make the financial reports of recipient not-for-profit entities more consistent with those that are actually billed for the employee services.

Transition and Early Adoption

BC13. The Task Force reached a consensus-for-exposure that the amendments in this proposed Update should be applied prospectively. The Task Force noted that the information needed to apply the consensus retrospectively may not always be readily available or determinable and may result in implementation difficulties and costs that would outweigh the benefits of improved comparability of financial statements. If a not-for-profit entity has the information to apply the amendments in this proposed Update retrospectively, the Task Force decided to provide an option to apply the amendments in this proposed Update using a modified retrospective approach in which all prior periods presented upon the date of adoption would be adjusted, but no adjustment would be made to the beginning balance of net assets of the earliest period presented. The option for a modified retrospective transition would provide not-for-profit entities with the ability to present consistent accounting for similar transactions occurring in prior periods presented, thereby facilitating comparability within the entity's financial statements.

BC14. The Task Force decided to permit early adoption of the proposed amendments to eliminate existing diversity as soon as is practicable.

Benefits and Costs

BC15. The objective of financial reporting is to provide information that is useful to present and potential donors, creditors, investors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential donors, creditors, investors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by those that presently provide resources to the reporting not-for-profit entity. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC16. In addition to affiliates, the Task Force considered whether personnel transactions with affiliated entities, financially interrelated entities, or all related parties, where one entity has the ability to influence, but not necessarily control, the operating and financial decisions of the other entity also should be included within the scope of this proposed Update. Because some of the criteria may not be applicable or operational to apply in the context of personnel services received and concerns that cost information may not be readily available or shared in circumstances in which control does not exist, the Task Force believes that limiting the scope of this proposed Update to affiliates meets the cost-benefit objective.

BC17. The Task Force considered alternate views that required measurement of some or all of the personnel services received from an affiliate at fair value. However, the Task Force did not pursue those views because of (a) cost-benefit concerns that determining fair value under Topic 820 could be burdensome and complex and (b) concerns about the appropriateness of applying a fair value measurement model when the affiliate has the actual cost information for the personnel providing the services.

BC18. The amendments in this Update would be applied prospectively, unless a not-for-profit entity elects to apply the proposed amendments under a modified retrospective approach from the beginning of the earliest prior period presented upon the date of adoption. As such, the Task Force does not anticipate that entities will incur significant costs as a result of the proposed amendments. The proposed amendments would provide the benefit of (a) increasing transparency about the total program and supporting costs incurred by a recipient not-for-profit entity and (b) enhancing consistent application of U.S. GAAP and related disclosures by utilizing information that should be readily available.

Proposed Amendments to the XBRL Taxonomy

The FASB will expose for public comment the changes to the U.S. GAAP Financial Reporting Taxonomy (UGT) that would be required were the provisions of this Exposure Draft finalized as proposed. The proposed changes to the UGT will be available on the FASB website on or about August XX, 2012.

The FASB will alert the public of the availability of proposed UGT changes and the deadline for comment through an announcement on its website and in its Action Alert email service.

FINANCIAL ACCOUNTING SERIES

EXPOSURE DRAFT

Proposed Accounting Standards Update

Issued: July XX, 2012
Comments Due: September XX, 2012

Liabilities (Topic 405)

Obligations Resulting from Joint and Several Liability Arrangements

a consensus of the FASB Emerging Issues Task Force

This Exposure Draft of a proposed Accounting Standards Update of Topic 405 is issued by the Board for public comment. Written comments should be addressed to:

Technical Director
File Reference No. EITF-12D

Financial Accounting Standards Board
of the Financial Accounting Foundation

The *FASB Accounting Standards Codification*® is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. An Accounting Standards Update is not authoritative; rather, it is a document that communicates how the Accounting Standards Codification is being amended. It also provides other information to help a user of GAAP understand how and why GAAP is changing and when the changes will be effective.

Notice to Recipients of This Exposure Draft of a Proposed Accounting Standards Update

The Board invites comments on all matters in this Exposure Draft and is requesting comments by September XX, 2012. Interested parties may submit comments in one of two ways:

- Emailing a written letter to director@fasb.org, File Reference No. EITF-12D
- Sending written comments to "Technical Director, File Reference No. EITF-12D, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116."

Do not send responses by fax.

All comments received are part of the FASB's public file. The FASB will make all comments publicly available by posting them to the online public reference room portion of its website.

An electronic copy of this Exposure Draft is available on the FASB's website.

Financial Accounting Standards Board
of the Financial Accounting Foundation
401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116

Proposed Accounting Standards Update

Liabilities (Topic 405)

Obligations Resulting from Joint and Several Liability Arrangements

July XX, 2012

Comment Deadline: September XX, 2012

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Summary and Questions for Respondents

Why Is the FASB Issuing This Proposed Accounting Standards Update (Update)?

The objective of the amendments in this proposed Update is to provide guidance for the recognition, measurement, and disclosure of obligations within the scope of this proposed Update resulting from joint and several liability arrangements for which the total amount under the arrangement is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. generally accepted accounting principles (GAAP). Examples of obligations within the scope of this proposed Update include debt arrangements, other contractual obligations, and settled litigation and judicial rulings. U.S. GAAP does not include specific guidance on accounting for such obligations with joint and several liability, which has resulted in diversity in practice. Some entities record the entire amount under the joint and several liability arrangement on the basis of the concept of a liability and the guidance that must be met to extinguish a liability. Other entities record less than the total amount of the obligation, such as an amount allocated, an amount corresponding to the proceeds received, or the portion of the amount the entity agreed to pay among co-obligors, on the basis of the guidance for contingent liabilities.

Who Would Be Affected by the Amendments in This Proposed Update?

The amendments in this proposed Update would apply to all entities, both public and nonpublic, that have obligations resulting from joint and several liability arrangements for which the total amount under the arrangement is fixed at the reporting date and for which no specific guidance exists.

What Are the Main Provisions?

The guidance in this proposed Update would require an entity to recognize and measure obligations resulting from joint and several liability arrangements for which the total amount under the arrangement is fixed at the reporting date using the guidance in Subtopic 450-20, Contingencies—Loss Contingencies. The guidance in this proposed Update also would require an entity to disclose the nature and amount of the obligation as well as information about the risks that such obligations pose to an entity’s future cash flows. If the primary role of a reporting entity in the joint and several liability arrangement is that of a guarantor, then it should account for the obligation under Topic 460, Guarantees.

How Would the Main Provisions Differ from Current U.S. Generally Accepted Accounting Principles (GAAP) and Why Would They Be an Improvement?

Current U.S. GAAP does not include guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements included in the scope of this proposed Update. Consequently, the proposed guidance should improve financial reporting for users of financial statements by increasing comparability among entities' financial statements with obligations within the scope of the proposed Update. In addition, the guidance should reduce complexity and cost for preparers of financial statements by providing specific recognition and measurement model for such liabilities.

When Would the Amendments Be Effective?

The amendments in this proposed Update would be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements that exist at the beginning of an entity's fiscal year of adoption. An entity may elect to use hindsight for the comparative periods (if it changed its accounting as a result of adopting this proposed Update) and shall disclose that fact. Early adoption would be permitted. The effective date will be determined after the Task Force considers stakeholder feedback on the proposed Update.

How Do the Proposed Provisions Compare with International Financial Reporting Standards (IFRS)?

IFRS does not have specific guidance on recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements included in the scope of this proposed Update. Consequently, the proposed amendments do not eliminate any existing differences between U.S. GAAP and IFRSs.

International Accounting Standard (IAS) 37, *Provisions, Contingent Liabilities and Contingent Assets,* requires an entity to treat the part of a joint and several liability that is expected to be met by other parties as a contingent liability. The guidance in IAS 37 is applicable to contingent liabilities, which are not within the scope of this proposed Update. However, the recognition and measurement approach in IAS 37 for joint and several liabilities is generally consistent with the recognition and measurement approach in this proposed Update.

Questions for Respondents

The Board invites individuals and organizations to comment on all matters in this proposed Update, particularly on the issues and questions below. Comments are requested from those who agree with the proposed guidance as well as from those who do not agree. Comments are most helpful if they identify and clearly explain the issue or question to which they relate. Those who disagree with the proposed guidance are asked to describe their suggested alternatives, supported by specific reasoning.

Question 1: Do you agree with the types of obligations resulting from joint and several liability arrangements that are included in the scope of this proposed Update (that is, the total amount under the arrangement is fixed at the reporting date and not otherwise covered by existing U.S. GAAP)? Are there other forms of joint and several liability arrangements that should be included in the scope of this proposed Update? If certain arrangements should be excluded or included, please explain why.

Question 2: Do you agree that the scope of this proposed Update should include all entities that have joint and several liability arrangements within the scope of the proposed Update, including entities that are under common control, related parties, and unrelated parties? If not, please explain why.

Question 3: Are you aware of joint and several liability arrangements among unrelated parties? If yes, please describe such arrangements and describe why those arrangements should be included or excluded from the scope of this proposed Update.

Question 4: Under this proposed Update, if the primary role of a reporting entity in the joint and several liability arrangement is that of a guarantor, then it should account for the obligation under Topic 460. This proposed Update includes some guidance on when the primary role is that of a guarantor. Is that guidance sufficient to distinguish between joint and several liability arrangements that should be accounted for under Topic 460 and those that should be accounted for under Subtopic 450-20? If not, please explain what additional guidance the Task Force should consider including to assist preparers in distinguishing between the two.

Question 5: Do you agree that obligations resulting from joint and several liability arrangements that are included in the scope of this proposed Update should be recognized and measured as a loss contingency in accordance with Subtopic 450-20? If not, please explain why.

Question 6: Do you agree with the disclosure requirements for obligations resulting from joint and several liability arrangements that would be included in the scope of this proposed Update? If not, please explain why.

Question 7: Do you agree that the guidance in this proposed Update should be applied retrospectively to all prior periods presented for obligations resulting from joint and several liability arrangements that exist at the beginning of an entity's fiscal year of adoption? If not, please explain why. Also, do you think the transition guidance should be the same for obligations in which the primary role of the reporting entity is that of a guarantor and that are to be accounted for under Topic 460? If not, please explain why. Do you agree that an entity may elect to use hindsight for the comparative period(s) if it changed its accounting as a result of adopting this proposed Update? If not, please explain why.

Question 8: The proposed amendments would apply to public and nonpublic entities. Should any of the proposed amendments be different for nonpublic entities? If yes, please identify those proposed amendments and describe how and why you think they should be different.

Question 9: Do you agree that an entity should be permitted to early adopt the proposed amendments? If not, please explain why.

Question 10: For preparers, how much time is needed to implement the proposed amendments? Please explain.

Amendments to the *FASB Accounting Standards Codification*®

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–3. In some cases, to put the change in context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is <u>underlined</u>, and deleted text is ~~struck out~~. **[For ease of readability, the newly added Subtopic is not underlined.]**

Amendments to Master Glossary

2. Add the Master Glossary term *Loss Contingency* to Section 405-40-20 as follows:

Loss Contingency

An existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity that will ultimately be resolved when one or more future events occur or fail to occur. The term loss is used for convenience to include many charges against income that are commonly referred to as expenses and others that are commonly referred to as losses.

Addition of Subtopic 405-40

3. Add Subtopic 405-40, with a link to transition paragraph 405-40-65-1, as follows:

Liabilities—Obligations Resulting from Joint and Several Liability Arrangements

Overview and Background

General

> Overall Guidance

405-40-05-1 This Subtopic addresses the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements.

Scope and Scope Exceptions

General

> Overall Guidance

405-40-15-1 The guidance in this Subtopic applies to obligations resulting from joint and several liability arrangements for which the total amount under the arrangement is fixed at the reporting date, except for obligations otherwise accounted for under the following Topics:

a. Asset Retirement and Environmental Obligations, see Topic 410

b. Contingencies, see Topic 450

c. Compensation Retirement Benefits, see Topic 715

d. Income Taxes, see Topic 740.

For the total amount of an obligation under an arrangement to be considered fixed at the reporting date there can be no measurement uncertainty at the reporting date relating to the total amount under the arrangement. However, the total amount under the arrangement may change subsequently due to factors that are unrelated to measurement uncertainty. For example, such amount may be fixed at the reporting date but change in future periods because an additional amount was borrowed under a line of credit for which an entity is jointly and severally liable or because the interest rate on a joint and several liability arrangement changed.

> Other Considerations

405-40-15-2 If the primary role of a reporting entity in the joint and several liability arrangement is that of a guarantor, then it should account for the obligation under Topic 460. To determine whether the primary role of a reporting entity is that of a guarantor, the entity shall evaluate the guidance related to guarantees in Topic 460, including the scope guidance in paragraph 460-10-15-4 and evaluate all facts and circumstances of the arrangement, including whether the reporting entity receives explicit consideration for standing ready.

Recognition

General

405-40-25-1 Obligations resulting from joint and several liability arrangements included in the scope of this Subtopic shall be recognized using the **loss contingency** guidance in Subtopic 450-20, except for the corresponding entry or entries when recognizing obligations in the scope of this Subtopic, which are not necessarily a charge to income as prescribed in Subtopic 450-20. The corresponding entry or entries (for example, cash, an expense, a receivable that is assessed for impairment, an equity transaction, and/or another account) shall depend on facts and circumstances.

Initial Measurement

General

405-40-30-1 Obligations resulting from joint and several liability arrangements included in the scope of this Subtopic are initially measured using the measurement approach for a **loss contingency** in Subtopic 450-20, except for the corresponding entry or entries when measuring obligations in the scope of this Subtopic, which are not necessarily a charge to income as prescribed in Subtopic 450-20. The corresponding entry or entries depend on the facts and circumstances.

405-40-30-2 In measuring the amount of the entity's share of an obligation resulting from a joint and several liability arrangement, there is a presumption that the minimum measurement of the liability is the greater of the portion of the amount an entity agreed to pay among co-obligors and the amount an entity expects to pay.

Subsequent Measurement

General

405-40-35-1 Obligations resulting from joint and several liability arrangements included in the scope of this Subtopic shall be subsequently measured using the guidance in paragraph 405-40-30-1.

Disclosure

General

405-40-50-1 An entity shall disclose all of the following information about each obligation resulting from joint and several liability arrangements included in the scope of this Subtopic:

a. The nature of the arrangement, including how the liability arose, the relationship with other co-obligors, and the terms and conditions of the arrangement
b. The total outstanding amount under the arrangement, which shall not be reduced by the effect of any amounts that may be recoverable from other entities
c. The carrying amount, if any, for an entity's liability and the carrying amount of a receivable recognized, if any

d. The nature of any recourse provisions that would enable recovery from other entities of the amounts paid, including any limitations on the amounts that might be recovered

e. In the period the liability is initially recognized and measured or in a period the measurement changes significantly, the corresponding entry and where it was recorded in the financial statements.

> Transition Related to Accounting Standards Update No. 2012-XX, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements*

405-40-65-1 The following represents the transition and effective date information related to Accounting Standards Update No. 2012-XX, *Liabilities (Topic 405): Obligations Resulting from Joint and Several Liability Arrangements:*

a. The pending content that links to this paragraph shall be effective for fiscal years and interim periods within those years, beginning on or after [date to be inserted after exposure].

b. The pending content that links to this paragraph shall be applied retrospectively to all prior periods presented for those obligations resulting from joint and several liability arrangements that exist at the beginning of an entity's fiscal year of adoption.

c. An entity may elect to use hindsight for the comparative periods presented in the initial year of adoption (if it changed its accounting as a result of adopting this proposed Update) and shall disclose that fact. The use of hindsight would allow an entity to recognize, measure, and disclose obligations resulting from joint and several liability arrangements in comparative periods using information available at adoption rather than requiring an entity to make judgments about what information it had in each of the prior periods to measure the obligation.

d. Earlier application is permitted.

e. An entity shall disclose information in accordance with paragraphs 250-10-50-1 through 50-3 in the period the entity adopts the pending content that links to this paragraph.

The amendments in this proposed Update were approved for publication by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Leslie F. Seidman, *Chairman*
Daryl E. Buck
Russell G. Golden
Thomas J. Linsmeier
R. Harold Schroeder
Marc A. Siegel
Lawrence W. Smith

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Task Force's considerations in reaching the conclusions in this proposed Update. It includes the Board's basis for ratifying the Task Force's conclusions when needed to supplement the Task Force's considerations. It also includes reasons for accepting certain approaches and rejecting others. Individual Task Force and Board members gave greater weight to some factors than to others.

Background Information

BC2. The purpose of this proposed Update is to provide guidance for recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements within the scope of this proposed Update. Examples of such obligations include debt arrangements, other contractual obligations, and settled litigation and judicial rulings. U.S. GAAP does not include specific guidance on accounting for obligations resulting from joint and several liability arrangements within the scope of this proposed Update, which has resulted in diversity in practice. Some entities record the entire amount of the obligation subject to joint and several liability on the basis of the concept of a liability and the guidance in Subtopic 405-20, Liabilities—Extinguishments of Liabilities, that must be met to extinguish a liability. Other entities record less than the total amount of the obligation, such as an amount allocated, an amount corresponding to the proceeds received, or an amount equal to the portion of the amount the entity agreed to pay among co-obligors on the basis of the guidance for contingent liabilities in Subtopic 450-20 and Subtopic 410–30, Asset Retirement and Environmental Obligations—Environmental Obligations, under which an entity may record its estimated portion of the total obligation subject to joint and several liability.

General Considerations

BC3. The Task Force decided that this proposed Update would apply to obligations resulting from joint and several liabilities arrangements for which the total amount under the arrangement is fixed at the reporting date. Liabilities subject to a contingency would be excluded from the scope and would continue to be accounted for under the guidance in Topic 450. The proposed Update includes the phrase *total amount of the arrangement is fixed at the reporting date* in the scope description to indicate that an obligation would be in the scope of this proposed Update if the total amount under that arrangement is fixed at the balance sheet date even when the total amount under the arrangement may change subsequently due to factors that are unrelated to measurement uncertainty. For example, the amount may be fixed at the reporting date but change in future periods because an additional amount was borrowed under a line of credit for which an entity is jointly and severally liable or because the interest rate on a joint and several liability arrangement changed.

BC4. The Task Force considered whether an entity that is jointly and severally liable should apply the guidance in Topic 460. Under that guidance, an entity would be required to recognize and measure the fair value of the stand-ready obligation as well as recognize and measure a loss contingency under Subtopic 450-20. Some Task Force members thought that approach may be appropriate because there are economic similarities between obligations that result from joint and several liability arrangements and those that are guarantees, and, therefore, the recognition and measurement approaches should be similar. Other Task Force members thought that different recognition and measurement approaches were appropriate for obligations that result from joint and several liability arrangements and those that are guarantees because there are differences between the two types of obligations. One of the significant differences between a joint and several liability arrangement and a guarantee arrangement is that an entity is a primary obligor under a joint and several liability arrangement and is a secondary obligor under a guarantee arrangement. In addition, those Task Force members were concerned about the cost and complexity of measuring the fair value of the stand-ready obligation for joint and several liability arrangements. Some thought the costs and complexity of measuring the fair value of the stand-ready obligation could be greater for obligations that are the result of a joint and several liability arrangement than for those that are guarantees because often there is no explicit consideration exchanged between entities that are parties to a joint and several liability arrangement. Those Task Force members noted that entities under common control are excluded from the requirement to recognize and measure the fair value of the stand-ready obligation under Topic 460 because there were concerns about measuring the fair value of the stand-ready obligation when there often is no explicit consideration exchanged for a guarantee involving entities under common control. Because the Task Force thought this difficulty often may exist for joint and several liability arrangements, it also concluded there was a basis for not requiring a stand-ready obligation in the measurement of the liability resulting from the joint and several liability arrangement unless the primary role of the reporting entity was that of a guarantor.

BC5. Another approach considered by the Task Force would require an entity that is jointly and severally liable to recognize and measure the obligation as the total amount under the joint and several liability arrangement regardless of the amount an entity expected to pay to fulfill the obligation. Some Task Force members were concerned that this approach would not result in decision-useful information for users of financial statements because the amount may be inconsistent with expected cash outflows associated with the obligation.

BC6. The Task Force concluded that the recognition and measurement approach for loss contingencies under Subtopic 450-20 would (a) address diversity in practice, (b) provide users of financial statements with decision-useful information, and (c) not significantly increase costs and complexity of financial reporting for preparers.

BC7. The Task Force concluded that the recognition, measurement, and disclosure requirements in this proposed Update should not include joint and several liability arrangements in which the primary role of a reporting entity in the arrangement is that of a guarantor. The Task Force included guidance to assist preparers in distinguishing between joint and several liability arrangements and guarantees. The Task Force thought that if the primary role of the reporting entity is that of a guarantor, then even if the obligation legally is a joint and several liability, the accounting for that arrangement should be the same as for guarantees under Topic 460. The Task Force thought that this would assist preparers in accounting for joint and several liability arrangements while providing users of financial statements with accounting that is consistent for transactions that are substantially the same.

BC8. In measuring the amount of the entity's share of an obligation resulting from a joint and several liability arrangement, there is a presumption that the minimum measurement of the liability is the greater of the portion of the amount an entity agreed to pay among co-obligors (for example, the amount received in some cases) and the amount an entity expects to pay (for example, if the entity expects to have to pay additional amounts on behalf of other joint obligors). The Task Force believes that an entity could not avoid the recognition of its portion of the joint and several liability because that entity does not believe it is going to be able to pay.

BC9. The Task Force considered whether this proposed Update should include specific guidance about the corresponding entry or entries when recognizing and measuring a liability resulting from a joint and several liability arrangement. The Task Force concluded that this proposed Update should not prescribe a specific account or accounts for the corresponding entry or entries because the corresponding entry or entries will depend on the facts and circumstances of the arrangement and the Task Force did not think that guidance could be developed that would be specific enough to be useful to preparers of financial statements while being applicable in all circumstances. The corresponding entry might be cash, an expense, a receivable that is assessed for impairment, an equity transaction, and/or another account.

BC10. The Task Force concluded that the scope of this proposed Update should apply to all joint and several liability arrangements regardless of the relationship among parties involved in the arrangement. The Task Force did not believe that there was a basis to exclude joint and several liability arrangements involving unrelated parties from the scope of this proposed Update and thought that, if excluded, unrelated parties would apply this guidance by analogy, since there would be no specific U.S. GAAP for them to apply.

BC11. The Task Force concluded that the disclosure requirements in this proposed Update would be beneficial because of the inherent uncertainty associated with measuring obligations resulting from joint and several liability arrangements. The disclosure requirements in this proposed Update are consistent with the disclosure requirements for guarantees in Topic 460.

Transition and Early Adoption

BC12. The Task Force reached a consensus-for-exposure on modified retrospective transition for the amendments in this proposed Update to all prior periods presented. Task Force members concluded that the costs of a fully retrospective application would outweigh the benefits of providing the information on previously extinguished obligations resulting from joint and several liability arrangements to users of financial statements; therefore, the Task Force decided that entities would not change their previous accounting for extinguished liabilities. For example, if an obligation existed at the earliest comparative period, but did not exist at the beginning of the fiscal year of adoption (for example, because the obligation was extinguished), then an entity would not adjust its previous accounting for the obligation. The Task Force believes that obligations resulting from joint and several liability arrangements often are significant to an entity's balance sheet and concluded that comparability of the same obligation between periods was important to users of financial statements, including obligations that were not accounted for as guarantees under Topic 460 before the adoption of this proposed Update.

BC13. The Task Force decided to allow an entity to elect to use hindsight in the comparative periods, which will allow entities to recognize, measure, and disclose the obligation in comparative periods using information available at adoption rather than requiring an entity to make judgments about what information it had in each of the prior periods to measure the obligation. The Task Force also concluded that an entity whose accounting policy for obligations resulting from joint and several liability arrangements was the same as the recognition and measurement approach in this proposed Update should not change its previous measurements of the obligation upon adoption of this proposed Update.

BC14. If the primary role of an entity in a joint and several liability arrangement is that of a guarantor such that the entity changes its accounting policy to apply Topic 460, that entity would apply the modified retrospective transition described above and would have the ability to elect to use hindsight for the comparative periods.

BC15. The Task Force decided that early adoption of the proposed amendments should be permitted to eliminate existing diversity as soon as is practicable.

Benefits and Costs

BC16. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC17. The Board does not anticipate that entities will incur significant costs as a result of the amendments in this proposed Update. The Board expects that those entities that currently do not apply the recognition and measurement approach in this proposed Update would have sufficient information to meet the proposed recognition and measurement and disclosure requirements. In considering which recognition and measurement approach to select for obligations in the scope of this proposed Update, the Task Force discussed the relative costs of the approaches. Task Force members generally thought the approach requiring an entity to account for an obligation resulting from a joint and several liability arrangement as a guarantee following Topic 460 was the most costly approach; this was one of the reasons they did not select that approach (unless the reporting entity's primary role is that of a guarantor).

BC18. The Board believes that users will benefit from the proposed amendments because they would improve comparability of financial statements of entities that have obligations resulting from joint and several liability arrangements that are within the scope of the proposed update. In addition, the Board believes that the proposed disclosure requirements would provide users of financial statements with transparent information about the risks associated with obligations that result from a joint and several liability arrangement.

Amendments to the XBRL Taxonomy

The FASB will expose for public comment the changes to the U.S. GAAP Financial Reporting Taxonomy (UGT) that would be required were the provisions of this Exposure Draft finalized as proposed. The proposed changes to the UGT will be available on the FASB website on or about August XX, 2012.

The FASB will alert the public of the availability of proposed UGT changes and the deadline for comment through an announcement on its website and in its Action Alert email service.