

FINANCIAL ACCOUNTING SERIES



DISCUSSION PAPER

Issued: October 19, 2010
Comments Due: January 31, 2011

Effective Dates and Transition Methods

Written comments should be addressed to:

Technical Director
File Reference No. 1890-100

Financial Accounting Standards Board
of the Financial Accounting Foundation

Responses from interested parties wishing to comment on the Discussion Paper must be *received* in writing by January 31, 2011. Interested parties should submit their comments by email to director@fasb.org, File Reference No. 1890-100. Those without email should send their comments to the “Technical Director—File Reference No.1890-100, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116.” Do not send responses by fax.

All comments received constitute 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 the Discussion Paper is available on the FASB website.

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**Financial Accounting Standards Board
of the Financial Accounting Foundation**

401 MERRITT 7, PO BOX 5116, NORWALK, CONNECTICUT 06856-5116

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WHY THE FASB IS ISSUING THIS DISCUSSION PAPER

1. The Financial Accounting Standards Board (FASB or Board) is issuing this Discussion Paper to solicit information from stakeholders about the time and effort that will be involved in adapting to several anticipated new accounting and reporting standards and when those standards should become effective. The FASB will use that information to develop an implementation plan for those new standards that helps stakeholders manage the pace and cost of change. The FASB requests comments on this Discussion Paper by January 31, 2011.
2. The new standards that are the subject of this Discussion Paper are being developed jointly by the FASB and the International Accounting Standards Board (IASB). The IASB will issue a Request for Views soliciting input on the issues raised in this Discussion Paper.
3. The following table lists the projects that are the subject of this Discussion Paper. Please refer to the FASB's technical plan for current information about the timing of Exposure Drafts that have not yet been issued.

Project
Accounting for financial instruments and revisions to the accounting for derivative instruments and hedging activities, including netting of financial instruments (Exposure Draft issued in May 2010)
Revenue recognition: revenue from contracts with customers (Exposure Draft issued in June 2010)
Leases (Exposure Draft issued in August 2010)
Financial statement presentation (including discontinued operations) (Exposure Draft has not yet been issued)
Financial instruments with characteristics of equity (Exposure Draft has not yet been issued)
Insurance contracts (Discussion Paper issued in September 2010)
Comprehensive income (Exposure Draft issued May 2010)

4. The FASB plans to make several targeted improvements to U.S. GAAP over the next year (fair value measurements and disclosure, for example). Those new requirements will include transition provisions and effective dates based on the FASB's assessment of them on a stand-alone basis. The FASB may reconsider and amend those decisions in light of the feedback it receives on this Discussion Paper.

5. The revised convergence workplan issued in June 2010 identifies targeted completion dates for projects but does not address when the standards would be effective. Stakeholders in the financial reporting system will need to adapt to those new requirements and will need to plan for and manage the change. The Board recognizes that the effort and cost of adapting will differ among stakeholders (those that prepare financial statements will need to make different kinds of changes than those that use financial information) and, for a particular stakeholder, the effort and cost of adapting will likely differ for each new standard.

6. The Board is finalizing the new requirements during a period of ongoing regulatory change and continuing economic uncertainty for many entities. Moreover, the standards-setting structure in the United States is undergoing review. The Securities and Exchange Commission is evaluating whether and how to incorporate International Financial Reporting Standards (IFRSs) into the U.S. reporting system and the Financial Accounting Foundation (Foundation) is reviewing standards-setting for private entities.

7. Given these and other factors, the Board recognizes the need to help stakeholders manage the pace and cost of changes to financial reporting. The FASB and IASB have already taken some steps in that direction. In the revised convergence workplan, the Boards prioritized the major projects to permit a sharper focus on the areas they believe are most in need of improvement and phased the publication of Exposure Drafts and related consultations to enable broad-based and effective consultation. The FASB also has tentatively decided to provide private entities an additional four years to implement the proposed requirements for financial instruments.

8. The Board recognizes that consideration also should be given to the implementation requirements and timetable for those new standards. Accordingly, the Board is asking all stakeholders (including preparers of financial statements, auditors, and users of financial statements [including regulators]) to explain their views about:

- a. The expected time and effort involved in properly adapting to the new accounting reporting requirements
- b. The implementation timetable and sequence of adoption that facilitates cost-effective management of the changes.

9. The U.S. environment differs in some respects from the environments in which new IFRSs will be applied. For example, many countries are adopting IFRSs over the next several years and the IASB needs to give appropriate consideration to those first-time adopters. In the United States, the FASB needs to give consideration to the needs of private entities and the users of their financial statements. As a result, the FASB's Discussion Paper and the IASB's Request for Views each include certain environment-specific questions.

QUESTIONS FOR RESPONDENTS

10. Respondents are first asked for background information to provide a context in which to understand their views. Additional questions then follow, focused on four broad issues:

- a. Issue 1: Preparing for and transitioning to the new requirements
- b. Issue 2: The implementation approach and timetable (effective dates for the new requirements)
- c. Issue 3: International convergence considerations
- d. Issue 4: Effects of possible changes to standards-setting for private entities.

11. For the convenience of respondents, Appendix A includes a list of all the questions raised in this Discussion Paper.

12. The Board recognizes that stakeholders' views about the questions raised in this Discussion Paper could be affected by the assumptions they make about the SEC's ongoing evaluation of whether and how to incorporate IFRSs into the U.S. financial reporting system. To ensure that all comment letters are prepared on a common understanding, the Board asks respondents to answer the questions without regard to the possibility of IFRSs being incorporated into the U.S. reporting system. The FASB recognizes that it may need to reconsider the effective dates and transition methods of newly issued standards once any decisions about incorporating IFRSs have been made.

13. The Foundation's project to evaluate the future of standards setting for private companies may also affect stakeholder views about the issues raised in this Discussion Paper. The Board believes those issues are relevant to standards setting for private companies, regardless of the outcome of that project. Accordingly, the Board asks respondents to answer the questions assuming the standards will apply to private companies. Question 9 asks whether and how the Foundation's ongoing project affects those answers.

Background Information about Respondents

Q1. Please describe the entity (or the individual) responding to this Discussion Paper. For example:

- a. **Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.**
- b. **If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the**

- number of employees or other relevant metric), and whether you have securities registered on a securities exchange.
- c. **If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.**
 - d. **If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.**
 - e. **Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).**

Issue 1: Preparing for and Transitioning to the New Requirements

14. All stakeholders in the financial reporting system will need to prepare for and transition to the new financial accounting and reporting requirements. The Board seeks to understand, for all types of stakeholders, the nature of the preparation and implementation efforts that will be required and the amount of time needed for a proper transition, as those factors have a direct bearing on when the requirements should become effective (see Issue 2).

15. The transition method refers to the way that an entity accounts for the initial change from the old to the new accounting requirements. Choices about the method of transition directly affect the time, effort, and cost of adapting to the new requirements.

16. Many investors and other users of financial statements prefer that companies apply new requirements retrospectively to all periods presented in order to facilitate year-on-year comparison of results. That is, companies implement the new requirements as if they had always been required, presenting comparative information on the new basis of reporting. Many preparers of financial statements have explained that retrospective application can sometimes be costly and in some cases is impracticable (such as when the information needed for prior periods is not available).

17. In making decisions about transition methods, the Board strives to balance the benefits of interperiod comparability with the cost and practicability of retrospective application. In balancing those benefits and costs, the Board may decide to:

- a. Limit the extent to which companies need to revise previously issued financial information (the so-called limited retrospective application method).
- b. Require that the new standards apply only to transactions and events after a particular effective date (the so-called prospective method).

18. The following table summarizes the Board's tentative decisions about transition methods which were made separately for each Exposure Draft (the proposed transition method provisions of each Exposure Draft are included for reference in Appendix B). The Board has sought feedback on the proposed transition method in each Exposure Draft.

Project	Transition Method
Accounting for financial instruments	Retrospective
Other comprehensive income	Retrospective
Fair value measurement	Limited retrospective
Revenue recognition	Retrospective
Leases	Limited retrospective
Netting financial instruments	To be decided
Consolidation: investment companies	Prospective
Financial statement presentation	Retrospective
Financial instruments with characteristics of equity	To be decided
Accounting for insurance contracts	To be decided

19. The proposed transition method differs from project to project because the Board based its decisions on the facts and circumstances of each project evaluated on a stand-alone basis. An important element of this Discussion Paper is to solicit input about those individual project-level decisions in the context of an overall plan for implementation of the new requirements taken as a whole. For example, the Board seeks to learn whether financial statements during the period of change would be easier to understand, or whether the overall cost of implementation might be reduced were the Board to change its proposed transition method for one or more standards (perhaps even by requiring a single method for all of the new standards).

20. One way to ease the application of the retrospective method is to delay the effective date, enabling companies to cost effectively accumulate the data

needed to produce comparative information. Questions about managing the cost of implementation through the implementation timetable (effective dates) are raised below in Issue 2.

Q2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

- a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?
- b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

Q3. Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

Q4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their affect on the cost of adapting to the new reporting requirements.

Issue 2: Effective Dates for the New Requirements and Early Adoption

21. The Board seeks information about both the broad approach to implementing the new standards and the timetable for adoption.

22. The Board seeks input on the advantages and disadvantages of two broad approaches to setting the effective dates of the new standards that are the subject of this Discussion Paper. Those two approaches (neither of which precludes the Board from establishing differential effective dates for certain entities) are as follows:

- a. A single date approach—all of the new standards would become effective as of the same date, following an appropriate implementation period.
- b. A sequential approach—each new standard or an appropriate group of new standards would become effective as of different dates spanning a number of years.

23. Question 5 asks for views on grouping and sequencing the implementation of standards in the context of a mandatory adoption date. Question 6 asks for further views in the context of early adoption.

Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

- a. **Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).**
- b. **Under a single date approach, what should the mandatory effective date be and why?**
- c. **Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.**
- d. **Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.**

24. The Board sometimes decides to permit early adoption of new requirements. Some of the potential benefits of permitting early adoption include earlier reporting of improved information and providing companies the ability to reduce implementation costs by timing the adoption of new standards to coincide with other business changes. The primary disadvantage to permitting early adoption is reduced comparability across companies.

Q6. Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

Q7. For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

Issue 3: International Convergence Considerations

25. The goal of joint projects is to improve the quality of financial reporting and enhance the comparability of financial information by issuing standards that eliminate (or reduce) differences between IFRSs and U.S. GAAP. Requiring the same effective date and transition methods for comparable IFRS and U.S. GAAP standards would further enhance comparability. It also may affect implementation costs (for example, a common effective date might simplify implementation for multinational entities and make it easier for investors and other users to make comparisons between U.S. and international entities).

Q8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

Issue 4: Effects of Possible Changes to Standards Setting for Private Entities

26. Question 7 asks whether the Board should consider setting differential effective dates for certain classes of entities, such as private companies. The focus of this issue is on the Foundation's review of standards setting for private companies.

27. In early 2010, the Foundation embarked on a project to evaluate standards setting for U.S. private companies. As a first step, a "blue-ribbon panel" (Panel) was formed to address how accounting standards best meet the needs of U.S. users of private company financial statements. In October, the Panel decided to develop, for Foundation consideration, a standards-setting model that envisions a separate private company standards board under the oversight of the Foundation. The Panel expects to finalize its recommendations in January 2011. The Foundation's Board of Trustees will then consider those recommendations and develop an action plan that will be exposed for public comment before it is finalized. It is possible that the FASB may finalize one or more of the standards that is the subject of this Discussion Paper before the Foundation finalizes its action plan.

Q9. How does the Foundation's ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

APPENDIX A: LIST OF QUESTIONS FOR RESPONDENTS

For ease of use, this appendix lists all of the questions for stakeholders.

Q1. Please describe the entity (or the individual) responding to this Discussion Paper. For example:

- a. Please indicate whether you are primarily a preparer of financial statements, an auditor, or an investor, creditor, or other user of financial statements (such as a regulator). Please also indicate whether you primarily prepare, use, or audit financial information prepared in accordance with U.S. GAAP, IFRSs, or both.
- b. If you are a preparer of financial statements, please describe your primary business or businesses, their size (in terms of the number of employees or other relevant metric), and whether you have securities registered on a securities exchange.
- c. If you are an auditor, please indicate the size of your firm and whether your practice focuses primarily on public companies, private entities, or both.
- d. If you are an investor, creditor, or other user of financial statements, please describe your job function (buy side/sell side/regulator/credit analyst/lending officer), your investment perspective (long, long/short, equity, or fixed income), and the industries or sectors you specialize in, if any.
- e. Please describe the degree to which each of the proposed new standards will likely affect you and the factors driving that effect (for example, preparers of financial statements might explain the frequency or materiality of the transactions to their business and investors might explain the significance of the transactions to the particular industries or sectors they follow).

Q2. Focusing only on those proposals that have been published as Exposure Drafts (accounting for financial instruments, other comprehensive income, revenue recognition, and leases):

- a. How much time will you need to learn about each proposal, appropriately train personnel, plan for, and implement or otherwise adapt to each the new standard?
- b. What are the types of costs you expect to incur in planning for and adapting to the new requirements and what are the primary drivers of those costs? What is the relative significance of each cost component?

Q3. Do you foresee other effects on the broader financial reporting system arising from these new standards? For example, will the new financial reporting

requirements conflict with other regulatory or tax reporting requirements? Will they give rise to a need for changes in auditing standards?

Q4. In the context of a broad implementation plan covering all the new requirements, do you agree with the transition method as proposed for each project? If not, what changes would you recommend and why? In particular, please explain the primary advantages of your recommended changes and their effect on the cost of adapting to the new reporting requirements.

Q5. In thinking about an overall implementation plan covering all of the standards that are the subject of this Discussion Paper:

- a. Do you prefer the single date approach or the sequential approach? Why? What are the advantages and disadvantages of your preferred approach? How would your preferred approach minimize the cost of implementation or bring other benefits? Please describe the sources of those benefits (for example, economies of scale, minimizing disruption, or other synergistic benefits).
- b. Under a single date approach, what should the mandatory effective date be and why?
- c. Under the sequential approach, how should the new standards be sequenced (or grouped) and what should the mandatory effective dates for each group be? Please explain the primary factors that drive your recommended adoption sequence, such as the impact of interdependencies among the new standards.
- d. Do you think another approach would be viable and preferable? If so, please describe that approach and its advantages.

Q6. Should the Board give companies the option of adopting some or all of the new standards before their mandatory effective date? Why or why not? Which ones? What restrictions, if any, should there be on early adoption (for example, are there related requirements that should be adopted at the same time)?

Q7. For which standards, if any, should the Board provide particular types of entities a delayed effective date? How long should such a delay be and to which entities should it apply? What would be the primary advantages and disadvantages of the delay to each class of stakeholders (financial statement preparers, financial statement users, and auditors)? Should companies eligible for a delayed effective date have the option of adopting the requirements as of an earlier date?

Q8. Should the FASB and IASB require the same effective dates and transition methods for their comparable standards? Why or why not?

Q9. How does the Foundation's ongoing evaluation of standards setting for private companies affect your views on the questions raised in this Discussion Paper?

APPENDIX B: PROPOSED EFFECTIVE DATES AND TRANSITION PROVISIONS

For the convenience of respondents, this appendix includes the proposed effective date and transition guidance in each Exposure Draft issued before October 19, 2010, that is in the scope of this Discussion Paper.

Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and Hedging Activities

Proposed Effective Dates

The requirements in the proposed guidance shall be effective for financial statements issued for fiscal years beginning after [date to be inserted after exposure] and interim periods within those fiscal years, except as noted below. Early adoption is prohibited.

The effective date of specific requirements of the proposed guidance shall be effective for financial statements issued for fiscal years beginning after [date to be inserted that is 4 years later than the effective date for other entities] and interim periods within those fiscal years for a **nonpublic entity** that reports less than \$1 billion of assets in its consolidated statement of financial position. An entity that meets that criterion at the beginning of a fiscal year need not subsequently measure in its financial statements for that fiscal year and interim periods within it any of the following in accordance with the requirements in paragraphs 21, 25, and 31 of the Exposure Draft:

- a. Loans (including accounts receivable [with terms exceeding one year] and notes receivable) to other entities for which qualifying changes in their fair value would be recognized in other comprehensive income in accordance with paragraph 21
- b. Loan commitments made for which qualifying changes in the fair value of the underlying loan would be recognized in other comprehensive income in accordance with paragraphs 21 and 25
- c. Core deposit liabilities for which qualifying changes in the remeasured amount determined in accordance with paragraph 31 would be recognized in other comprehensive income in accordance with paragraph 21.

In financial statements for reporting periods in which an entity is not subject to the specific requirements of the proposed guidance in accordance with the preceding paragraph, an entity shall continue to apply U.S. GAAP requirements

in existence before [the deferred effective date in preceding paragraph of this proposed Update to be inserted] to qualifying loans, loan commitments, and core deposit liabilities. In addition, the entity shall disclose in the notes to the financial statements the fair value of loans that meet the criteria in paragraph 134(a), determined in accordance with the guidance in Topic 820, in a reporting period for which application of the proposed guidance is deferred.

An entity shall determine whether it qualifies for the delayed effective date of specific requirements of the proposed guidance at the beginning of each fiscal year during the four-year delayed effective date period. If an entity determines that it no longer meets the criteria for the delayed effective date of specific requirements of the proposed guidance, it also shall no longer be eligible for the delayed effective date at the beginning of subsequent fiscal years during the four-year delayed effective date period.

Proposed Transition Provisions

An entity shall apply the proposed guidance by means of a cumulative-effect adjustment to the statement of financial position for the reporting period that immediately precedes the effective date. The statement of financial position for that reporting period shall be restated in the first set of financial statements issued after the effective date. For example, an entity for which the effective date is January 1, 20X4, would restate in its first quarter's financial report its statement of financial position as of December 31, 20X3.

An entity shall determine the amount of the cumulative-effect adjustment in accordance with the guidance on accounting changes and error corrections in Topic 250. An entity shall disclose all of the following in the fiscal period in which the proposed guidance is adopted and, if the entity provides interim-period financial statements and adopts the proposed guidance in an interim period, also in the annual financial statement that include that interim period:

- a. The nature and reason for the change in accounting principle, including an explanation of the newly adopted accounting principle.
- b. The method of applying the adoption.
- c. The effect of the adoption on any line item in the statement of financial position for the reporting period that immediately precedes the effective date. Presentation of the effect on financial statement subtotals is not required.
- d. The cumulative effect of the change on retained earnings or other components of equity in the statement of financial position as of the reporting period that immediately precedes the effective date.

Financial statements of subsequent periods need not repeat the disclosures required by the proposed guidance. If the proposed guidance has no material effect in the period of adoption but is reasonably certain to have a material effect in later periods, the preceding disclosures shall be provided whenever the financial statements of the period of adoption are presented.

The transition requirements described in the preceding paragraphs shall also be applied in the first reporting period an entity no longer qualifies for the delayed effective date of specific requirements of the proposed guidance.

Revenue Recognition

Proposed Effective Date

An entity shall apply the proposed guidance for annual periods beginning on or after [date to be inserted after exposure].

Proposed Transition Provisions

An entity shall apply the proposed requirements retrospectively by applying the guidance on accounting changes and error corrections in *FASB Accounting Standards Codification*TM, paragraphs 250-10-45-5 through 45-10. In the period of adoption, an entity shall provide the disclosures required in paragraphs 250-10-50-1 through 50-3.

Leases

Proposed Effective Date

An entity shall apply the proposed guidance for annual periods beginning on or after [date to be inserted after exposure].

Proposed Transition Provisions

For the purposes of the transition provisions, the date of initial application is the beginning of the first comparative period presented in the first financial statements in which the entity applies this guidance. An entity shall recognize and measure all outstanding contracts within the scope of this guidance as of the date of initial application using a simplified retrospective approach as described in paragraphs 90–96 of the Exposure Draft.

An entity shall adjust the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had been applied from the beginning of the earliest period presented.

Transition Provisions Applicable Specifically to Lessees

Unless any one of the three paragraphs that follow apply, at the date of initial application, a lessee shall:

- a. Recognize a liability to make lease payments for each outstanding lease, measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on the date of initial application.
- b. Recognize a right-of-use asset for each outstanding lease, measured at the amount of the related liability to make lease payments, subject to any adjustments required to reflect impairment.

When lease payments are uneven over the lease term, a lessee shall adjust the right-of-use asset recognized at the date of initial application by the amount of any recognized prepaid or accrued lease payments.

For leases that were classified in accordance with Topic 840 as capital leases and do not have options, contingent rentals, term option penalties or residual value guarantees, the carrying amount at the date of initial application of the right-of-use asset and the liability to make lease payments shall be the carrying amount of the lease asset and liability under that guidance.

For each short-term lease that the lessee accounts for in accordance with paragraph 64 of the Exposure Draft, at the date of initial application a lessee shall recognize a liability to make lease payments measured at the undiscounted amount of the remaining lease payments and a right-of-use asset at the amount of the liability recognized.

Transition Provisions Applicable Specifically to Lessors Applying the Performance Obligation Approach

At the date of initial application, a lessor shall:

- a. Recognize a right to receive lease payments for each outstanding lease, measured at the present value of the remaining lease payments, discounted using the rate charged in the lease determined at the date of inception of the lease, subject to any adjustments required to reflect impairment.
- b. Recognize a lease liability for each outstanding lease, measured at the amount of the related right to receive lease payments.
- c. Reinstate previously derecognized underlying assets at depreciated cost, determined as if the asset had never been derecognized, subject to any adjustments required to reflect impairment.

Transition Provisions Applicable Specifically to Lessors Applying the Derecognition Approach

At the date of initial application, a lessor shall:

- a. Recognize a right to receive lease payments for each outstanding lease, measured at the present value of the remaining lease payments, discounted using the rate charged in the lease determined at the date of inception of the lease, subject to any adjustments required to reflect impairment.
- b. Recognize a residual asset at fair value determined at the date of initial application.

Comprehensive Income

Proposed Effective Date

The Board plans to align the proposed effective date of the changes to reporting comprehensive income with the effective date of changes to the accounting for financial instruments.

Proposed Transition Provisions

The following represents the transition and effective date information related to Accounting Standards Update No. 2010-XX, *Comprehensive Income (Topic 220)*: *Statement of Comprehensive Income*:

- a. The pending content that links to this paragraph shall be applied retrospectively.
- b. Early adoption of the pending content that links to this paragraph is permitted.