NO. 1670-100 | MARCH 16, 2009

Financial Accounting Series

EXPOSURE DRAFT

Proposed Statement of Financial Accounting Standards

Rescission of FASB Technical Bulletin No. 01-1, Nullification of EITF Topics No. D-33 and No. D-67, Amendments, and Technical Corrections

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

Technical Director
File Reference No. 1670-100

Comment Deadline: May 15, 2009

Financial Accounting Standards Board
of the Financial Accounting Foundation

Responses from interested parties wishing to comment on the Exposure Draft must be **received** in writing by May 15, 2009. Interested parties should submit their comments by email to director@fasb.org, File Reference No. 1670-100. Those without email may send their comments to the "Technical Director—File Reference No. 1670-100" at the address at the bottom of this page. Responses should **not** be sent 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 its website and by making them available in its public reference room in Norwalk, Connecticut.

An electronic copy of this Exposure Draft is available on the FASB's website until the FASB issues a final document. Any individual or organization may obtain one copy of this Exposure Draft without charge until May 15, 2009, on written request only. **Please ask for our Product Code No. E202.** For information on applicable prices for additional copies and copies requested after May 15, 2009, contact:

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Notice for Recipients of This Exposure Draft

Information for Respondents

This proposed Statement would (1) address certain inconsistencies in existing accounting pronouncements, (2) provide certain clarifications to reflect the Board's intent in previously issued pronouncements, (3) eliminate certain outdated guidance, and (4) make technical corrections considered to be nonsubstantive in nature to an authoritative pronouncement. This proposed Statement would rescind FASB Technical Bulletin No. 01-1, *Effective Date for Certain Financial Institutions of Certain Provisions of Statement 140 Related to the Isolation of Transferred Financial Assets,* and nullify Emerging Issues Task Force Topics No. D-33, "Timing of Recognition of Tax Benefits for Pre-reorganization Temporary Differences and Carryforwards," and No. D-67, "Isolation of Assets Transferred by Financial Institutions under FASB Statement No. 125."

Because this proposed Statement would be effective before July 1, 2009—the date the *FASB Accounting Standards Codification*™ is expected to officially become the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP)—it would amend existing accounting pronouncements, and the amendments would be reflected in the Codification.

Effective Date and Transition

This proposed Statement would be effective upon issuance.

Request for Comments

The Board invites individuals and organizations to send written comments on all matters in this proposed Statement, particularly on the questions listed below. Respondents need not comment on each issue and are encouraged to comment on additional matters they believe should be brought to the Board's attention. Comments are requested from those who agree with the provisions of this proposed Statement as well as from those who do not. Comments are most helpful if they identify the issues to which they relate and clearly explain the reasons for the positions taken. Those who disagree with provisions of this proposed Statement are asked to describe their suggested alternatives, supported by specific reasoning. Respondents must submit comments in writing by May 15, 2009.

The Board requests that constituents provide comments on the following questions:

1. Do you agree with the changes included in this proposed Statement? Please explain your answer.
2. Will the proposed Statement meet the project's objective to clarify certain previously issued standards, eliminate certain outdated guidance, and address certain inconsistencies in the accounting literature? Please explain your answer.

3. Will any of the proposed technical corrections result in unintended substantive changes to existing accounting pronouncements that would require transition provisions? If yes, what method of transition do you believe would be the most appropriate? Please explain your answer.

Summary

Why Is the FASB Issuing This Proposed Statement and When Will It Be Effective?

The Board's objective in issuing this proposed Statement is to (1) address certain inconsistencies in existing accounting pronouncements, (2) provide certain clarifications to reflect the Board's intent in previously issued pronouncements, (3) eliminate certain outdated guidance, and (4) make technical corrections considered to be nonsubstantive in nature to an authoritative pronouncement. This proposed Statement would rescind FASB Technical Bulletin No. 01-1, *Effective Date for Certain Financial Institutions of Certain Provisions of Statement 140 Related to the Isolation of Transferred Financial Assets*, and would nullify EITF Topics No. D-33, "Timing of Recognition of Tax Benefits for Pre-reorganization Temporary Differences and Carryforwards," and No. D-67, "Isolation of Assets Transferred by Financial Institutions under FASB Statement No. 125."

This proposed Statement would be effective upon issuance.

What Is the Scope of This Proposed Statement?

This proposed Statement would apply to all entities within the scope of the affected pronouncements.

How Will This Proposed Statement Change Current Practice?

The Board does not believe that this proposed Statement would result in pervasive changes to current practice. However, it is possible that a technical correction may result in a change to existing practice.

Proposed Statement of Financial Accounting Standards

Rescission of FASB Technical Bulletin No. 01-1, Nullification of EITF Topics No. D-33 and No. D-67, Amendments, and Technical Corrections

March 16, 2009

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Rescission of FASB Technical Bulletin No. 01-1, Nullification of EITF Topics No. D-33 and No. D-67, Amendments, and Technical Corrections

March 16, 2009

OBJECTIVE

1. The objectives of this Statement are to:

   a. Address certain inconsistencies in existing accounting pronouncements
   b. Provide certain clarifications to reflect the Board's intent in previously issued pronouncements
   c. Eliminate certain outdated guidance
   d. Make technical corrections considered to be nonsubstantive in nature to an authoritative pronouncement.

2. This Statement rescinds FASB Technical Bulletin No. 01-1, *Effective Date for Certain Financial Institutions of Certain Provisions of Statement 140 Related to the Isolation of Transferred Financial Assets,* and nullifies Emerging Issues Task Force (EITF) Topics No. D-33, "Timing of Recognition of Tax Benefits for Pre-reorganization Temporary Differences and Carryforwards," and No. D-67, "Isolation of Assets Transferred by Financial Institutions under FASB Statement No. 125."

3. This Statement amends existing authoritative pronouncements to:

   a. Update terminology
   b. Correct references to pronouncements issued by the American Institute of Certified Public Accountants (AICPA) or the FASB that have been revised or superseded since the issuance of the pronouncements
   c. Eliminate inconsistencies in existing pronouncements.

STANDARDS OF FINANCIAL ACCOUNTING AND REPORTING

Scope

4. This Statement applies to all entities within the scope of the affected pronouncements.

Rescission of Technical Bulletin 01-1 and Nullification of Topics No. D-67 and No. D-33

5. This Statement rescinds Technical Bulletin 01-1. Technical Bulletin 01-1 addresses certain issues that arose in transitioning from the previous isolation standards and

practices under FASB Statement No. 125, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* to the new practices under FASB Statement No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*. Technical Bulletin 01-1 provided additional transition time for transfers by banks and other financial institutions that were subject to possible receivership under the Federal Deposit Insurance Corporation because those institutions needed more time to understand the new isolation provisions and to make the transition from the Statement 125 isolation standards and practices to those of Statement 140. It also provided additional transition time to certain voluntary transfers that were constrained under prior contractual arrangements with outside beneficial interest holders of a qualifying special-purpose entity. The additional transition period ended on June 30, 2006; therefore, the guidance in Technical Bulletin 01-1 is no longer relevant.

6. This Statement nullifies Topic D-67 because it is redundant with guidance included in Statement 140 and refers to Technical Bulletin 01-1, which is no longer relevant.

7. This Statement nullifies Topic D-33 because FASB Statement No. 141 (revised 2007), *Business Combinations,* modifies the guidance in FASB Statement No. 109, *Accounting for Income Taxes,* to no longer require tax benefits acquired in a business combination to be separately classified between pre- and post-reorganization amounts. Topic D-33 refers to the guidance for subsequent recognition of carryforward benefits under the purchase method in paragraph 268 of Statement 109, which was deleted by Statement 141(R).

Amendments and Technical Corrections

8. This Statement amends the following pronouncements: [Added text is <u>underlined</u> and deleted text is ~~struck out~~.]

a. APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock,* is amended as follows:

(1) Paragraph 3(c), to reflect the revised definition of the term *subsidiary* included in paragraph B1 of FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*.

> "Subsidiary" refers to <u>an entity, including an unincorporated entity such as a partnership or trust, in which another entity, known as its parent, holds a controlling financial interest (also, a variable interest entity that is consolidated by a primary beneficiary).</u>~~a corporation which is controlled, directly or indirectly, by another corporation. The usual condition for control is ownership of a majority (over 50%) of the outstanding voting stock. The power to control may also exist with a lesser percentage of ownership, for example, by contract, lease, agreement with other stockholders or by court decree.~~

b. FASB Statement No. 95, *Statement of Cash Flows,* is amended as follows:

(1) Paragraph 28, as amended, to remove the reference to amortization of goodwill. FASB Statement No. 142, *Goodwill and Other Intangible Assets*, modified the accounting for goodwill from an amortization model to an impairment model. In addition, some minor wording changes are made for clarification purposes.

> Enterprises that choose not to provide information about major classes of operating cash receipts and payments by the direct method as encouraged in paragraph 27 shall determine and report the same amount for net cash flow from operating activities indirectly by adjusting net income of a business enterprise or change in net assets of a not-for-profit organization to reconcile it to net cash flow from operating activities (the indirect or reconciliation method). That requires adjusting net income of a business enterprise or change in net assets of a not-for-profit organization to remove (a) the effects of all deferrals of past operating cash receipts and payments, such as changes during the period in inventory, deferred income, and the like, and all accruals of expected future operating cash receipts and payments, such as changes during the period in receivables and payables,[12] and (b) ~~the effects of~~ all items that are included in net income that do not affect net cash provided from, or used for, operating activities such as depreciation and amortization of finite-life intangible assets. This includes all items whose cash effects are related to investing or financing cash flows~~, such as depreciation, amortization of goodwill, and~~ such as gains or losses on sales of property, plant, and equipment and discontinued operations (which relate to investing activities), and gains or losses on extinguishment of debt (which relate to ~~is a~~ financing ~~activity~~activities).

c. FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities,* is amended as follows:

(1) Paragraph 13(b)(2), as amended, to eliminate diversity in practice due to different interpretations of the term *each* included as the second word in the paragraph. The term has the potential to be interpreted to mean all possible interest rate scenarios discussed under paragraph 13(b)(1), in which case paragraph 13(b) would rarely result in the embedded derivative instrument being considered as not clearly and closely related to the host contract. Alternatively, it could be interpreted to mean any one or more of the possible interest rate scenarios discussed under paragraph 13(b)(1).

> For any~~each~~ of the possible interest rate scenarios under which the investor's initial rate of return on the host contract would be

doubled (as discussed under paragraph 13(b)(1)), the embedded derivative would at the same time result in a rate of return that is at least twice what otherwise would be the then-current market return (under the relevant~~each of those~~ future interest rate scenario~~s~~) for a contract that has the same terms as the host contract and that involves a debtor with a credit quality similar to the issuer's credit quality at inception.

(2) Paragraph 29(h)(4), as amended, to avoid a possible misunderstanding about the credit sector spreads that are included in the notion of credit risk under Statement 133.

> The risk of changes in its cash flows attributable to default, changes in the obligor's creditworthiness, and changes in the spread over the benchmark interest rate with respect to the related financial asset's or liability's~~hedged item's~~ credit sector at inception of the hedge (referred to as credit risk).

(3) Paragraph 30, as amended, to avoid a possible misinterpretation of the guidance in paragraphs 30(b)(1) and 30(b)(2) that would make it inconsistent with the guidance in the first sentence of paragraph 30, which explicitly states that the effective portion of the cash flow hedge is reported in other comprehensive income and the ineffective portion of the hedge is reported in earnings. The amendment also clarifies the guidance on the earnings adjustment for the hedging instrument's initial spot-forward difference.

> The effective portion of the gain or loss on a derivative designated as a cash flow hedge is reported in other comprehensive income, and the ineffective portion is reported in earnings. More specifically, a qualifying cash flow hedge shall be accounted for as follows:
>
> a. If an entity's defined risk management strategy for a particular hedging relationship excludes a specific component of the gain or loss, or related cash flows, on the hedging derivative from the assessment of hedge effectiveness (as discussed in paragraph 63 in Section 2 of Appendix A), that excluded component of the gain or loss shall be recognized currently in earnings. For example, if the effectiveness of a hedge with an option contract is assessed based on changes in the option's intrinsic value, the changes in the option's time value would be recognized in earnings. Time value is equal to the fair value of the option less its intrinsic value.

b. Accumulated other comprehensive income associated with the hedged transaction shall be adjusted to a balance that reflects the *lesser* of the following (in absolute amounts):

   (1) The cumulative gain or loss on the derivative from inception of the hedge less (a) the excluded component discussed in paragraph 30(a) above and (b) the derivative's gains or losses previously reclassified from accumulated other comprehensive income into earnings pursuant to paragraph 31.

   (2) The portion of the cumulative gain or loss on the derivative necessary to offset the cumulative change in expected future cash flows on the hedged transaction from inception of the hedge less the derivative's gains or losses previously reclassified from accumulated other comprehensive income into earnings pursuant to paragraph 31.

   That adjustment of accumulated other comprehensive income shall incorporate recognition in other comprehensive income of part or all of the gain or loss on the hedging derivative, as necessary. If hedge accounting has not been applied to a cash flow hedging relationship in a previous effectiveness assessment period because the entity's retrospective evaluation indicated that the relationship had not been highly effective in achieving offsetting changes in cash flows in that period, the *cumulative gain or loss on the derivative* referenced in this subparagraph (b) would exclude the gains or losses occurring during that period. Similarly, the *cumulative change in expected future cash flows on the hedged transaction* would exclude the changes related to that period when hedge accounting has not been applied. That situation may arise if the entity determines, perhaps under a regression analysis approach, that there is an expectation in which the hedging relationship will be highly effective in future periods. Consequently, the hedging relationship may continue even though hedge accounting was not permitted for a specific previous effectiveness assessment period.

c. A gain or loss shall be recognized in earnings, as necessary, for any remaining gain or loss on the hedging derivative or to adjust other comprehensive income to the balance specified in paragraph 30(b) above.

d. If a non-option-based contract is the hedging instrument in a cash flow hedge of the variability of the functional-currency-equivalent cash flows for a recognized foreign-currency-denominated asset or liability that is remeasured at spot exchange rates under paragraph 15 of Statement 52, an amount that will both offset the related transaction gain or loss arising from that remeasurement and adjust earnings for the initial spot-forward difference associated with the hedging instrument (cost to the purchaser or income to the seller of the hedging instrument) shall be reclassified each period from other comprehensive income to earnings if the assessment of effectiveness and measurement of ineffectiveness are based on total changes in the non-option-based instrument's cash flows. If an option contract is used as the hedging instrument in a cash flow hedge of the variability of the functional-currency-equivalent cash flows for a recognized foreign-currency-denominated asset or liability that is remeasured at spot exchange rates under paragraph 15 of Statement 52 to provide only one-sided offset against the hedged foreign exchange risk, an amount shall be reclassified each period to or from other comprehensive income with respect to the changes in the underlying that result in a change in the hedging option's intrinsic value. In addition, if the assessment of effectiveness and measurement of ineffectiveness are also based on total changes in the option's cash flows (that is, the assessment will include the hedging instrument's entire change in fair value—its entire gain or loss), an amount that adjusts earnings for the amortization of the cost of the option on a rational basis shall be reclassified each period from other comprehensive income to earnings.[10a]

Section 2 of Appendix A illustrates assessing hedge effectiveness and measuring hedge ineffectiveness. Examples 6 and 9 of Section 1 of Appendix B illustrate the application of this paragraph.

(4) Paragraph 61(d), as amended, to eliminate an inconsistency in the decision sequence between this paragraph and Step 3 of Statement 133 Implementation Issue No. B16, *Calls and Puts in Debt Instruments*, when determining whether a call or put is clearly and closely related to the debt host contract. Step 3 of Implementation Issue B16 notes that if the debt host does not involve a substantial premium or discount, further analysis under paragraph 13 of Statement 133 is required. This Statement deletes the portion of paragraph 61(d) that does not consider the requirement to perform further analysis.

Calls and puts on debt instruments. Call options (or put options) that can accelerate the repayment of principal on a debt instrument are considered to be clearly and closely related to a debt instrument that requires principal repayments unless both (1) the debt involves a substantial premium or discount (which is common with zero-coupon bonds) and (2) the put or call option is only contingently exercisable, provided the call options (or put options) are also considered to be clearly and closely related to the debt host contract under paragraph 13. ~~Thus, if a substantial premium or discount is not involved, embedded calls and puts (including contingent call or put options that are not exercisable unless an event of default occurs) would *not* be separated from the host contract.~~ However, for contingently exercisable calls and puts to be considered clearly and closely related, they can be indexed only to interest rates or credit risk, not some extraneous event or factor. In contrast, call options (or put options) that do not accelerate the repayment of principal on a debt instrument but instead require a cash settlement that is equal to the price of the option at the date of exercise would *not* be considered to be clearly and closely related to the debt instrument in which it is embedded.

(5) Paragraph 195, to clarify and to reflect the guidance included in Statement 133 Implementation Issue No. B33, *Applicability of Paragraph 15 to Embedded Foreign Currency Options,* which addresses the application of paragraph 15 to certain foreign currency options (caps and floors) embedded in a foreign-currency-denominated forward contract.

Example 29: Short-Term Loan with a Foreign Currency Option. A U.S. lender issues a loan at an above-market interest rate. The loan is made in U.S. dollars, the borrower's functional currency, and the borrower has the option to repay the loan in U.S. dollars or in a fixed amount of a specified foreign currency.

Scope Application: This instrument can be viewed as combining a loan at prevailing market interest rates and a foreign currency option. The lender has written a foreign currency option exposing it to changes in foreign currency exchange rates during the outstanding period of the loan. The premium for the option has been paid as part of the interest rate. Because the borrower has the option to repay the loan in U.S. dollars or in a fixed amount of a specified foreign currency, the provisions of paragraph 15 are not relevant to this example. Paragraph 15 addresses foreign-currency-denominated interest or principal payments but does not apply to foreign currency options embedded in a functional-currency-denominated debt host contract. Because a foreign currency option is not clearly and closely related to issuing a loan, the embedded option should be separated from the host contract and accounted for by both parties pursuant to the provisions of this Statement. In contrast, if both the principal payment and the interest payments on the loan had been payable only in a fixed amount of a specified foreign currency, there would be no embedded foreign currency derivative pursuant to this Statement.

(6) Paragraph 197, as replaced, to reflect the two additional criteria in paragraph 15 of Statement 133, as amended. This amendment is consistent with the wording included in paragraph 10(b) of Statement 133.

> **Example 31: Certain Purchases in a Foreign Currency.** A U.S. company enters into a contract to purchase corn from a local American supplier in six months for a fixed amount of Japanese yen; the yen is the functional currency of neither party to the transaction. The corn is expected to be delivered and used over a reasonable period in the normal course of business.
>
> > *Scope Application:* Paragraph 10(b) excludes contracts that require future delivery of commodities that are readily convertible to cash from the accounting for derivatives if the commodities will be delivered in quantities expected to be used or sold by the reporting entity over a reasonable period in the normal course of business. However, that paragraph also states that contracts that are denominated in a foreign currency that meets ~~neither~~none of the criteria in paragraphs 15(a)–15(d) ~~and 15(b)~~ shall not be considered normal purchases and normal sales. Because the Japanese yen is not the functional currency of either party to the contract and the purchase of corn is transacted internationally in many different currencies, the contract does not qualify for the normal purchases and normal sales exception. The contract is a compound derivative comprising a U.S. dollar-denominated forward contract for the purchase of corn and an embedded foreign currency swap from the purchaser's functional currency (the U.S. dollar) to yen. Consistent with the last sentence of footnote 13 to paragraph 49, the compound derivative cannot be separated into its components (representing the foreign currency derivative and the forward commodity contract) and accounted for separately under this Statement.

d. Statement 141(R) is amended as follows:

(1) Paragraph 44, to clarify the Board's intent that the accounting discussed in this paragraph is limited solely to a situation in which the acquiree awards expire as a consequence of the business combination and in which the acquirer has no obligation to replace the awards. In this limited situation, the acquiree awards have no value. The acquirer awards represent postcombination compensation expense because all of the fair-value-based measure of the "replacement" award is in excess of the value of the acquiree award (which is zero). Any other share-based-payment award that remains outstanding after the acquisition date would be subject to existing noncontrolling interest and share-

based-payment guidance. The revised wording limits the scope for accounting for a share-based-payment award as a postcombination compensation expense. It is understood that the IASB proposes to modify paragraph B56 of IFRS 3, *Business Combinations,* to be consistent with this amendment.

> In ~~some~~ situations~~,~~ in which acquiree awards ~~may~~would expire as a consequence of a business combination~~.~~ and~~If~~ the acquirer replaces those awards even though it is not obligated to do so, all of the fair-value-based measure of the replacement awards shall be recognized as compensation cost in the postcombination financial statements. That is, none of the fair-value-based measure of those awards shall be included in measuring the consideration transferred in the business combination.

(2) The fifth sentence of paragraph A126, to eliminate a typographical error.

> That is because Entity B~~A~~ is the accounting acquirer, and paragraphs 39 and 40 require the acquirer to measure the consideration exchanged for the accounting acquiree.

(3) Paragraph D4, to reflect the measurement guidance for exchanges of nonmonetary assets under APB Opinion No. 29, *Accounting for Nonmonetary Transactions*. This amendment should have been made when FASB Statement No. 153, *Exchanges of Nonmonetary Assets,* was issued.

> *Initial measurement.* Assets are recognized based on their *cost* to the acquiring entity, which generally includes the transaction costs of the asset acquisition, and no gain or loss is recognized unless the fair value of noncash assets given as consideration differs from the assets' carrying amounts on the acquiring entity's books. For transactions involving nonmonetary consideration within the scope of APB Opinion No. 29, *Accounting for Nonmonetary Transactions*, an acquirer must first determine if any of the conditions in paragraph 20 of Opinion 29 apply. (FAS 141, ¶5)

(4) Paragraph D5, to clarify how *cost* is measured and to eliminate the inconsistency between that paragraph and the wording in footnote 6 to paragraph 9 of Statement 142 for assets acquired in exchange transactions. Paragraph D1 states that the appendix provides continuing authoritative guidance for asset acquisitions and that the guidance has been quoted, paraphrased, or modified as necessary so that it can be understood in the context of the Statement. That is, Statement 141(R) did not change the guidance for accounting for asset acquisitions. Asset acquisitions are initially measured based on their

cost to the acquiring entity and generally include transaction costs of the asset acquisition. The text included in paragraphs D2–D7 originated from APB Opinion No. 16, *Business Combinations*, and was carried forward to FASB Statement No. 141, *Business Combinations*. In Statement 141(R), some of the changes to the wording may have the potential to change the accounting; therefore, certain revisions are being made to clarify the accounting and reflect what was initially intended.

> Asset acquisitions in which the consideration given is cash are measured by the amount of cash paid, which generally includes the transaction costs of the asset acquisition. However, if the consideration given is not in the form of cash (that is, in the form of noncash assets, liabilities incurred, or equity interests issued), measurement is based on either the cost, which should be measured based on the fair value of the consideration given~~to the acquiring entity~~ or the fair value of the assets (or net assets) acquired, whichever is more clearly evident and, thus, more reliably measurable. For transactions involving nonmonetary consideration within the scope of Opinion 29, an acquirer must first determine if any of the conditions in paragraph 20 of Opinion 29 apply. (FAS 141, ¶6)

(5) Paragraph D6, to incorporate the guidance for acquired intangible assets that the entity does not intend to use and to eliminate minor inconsistencies with similar wording included in paragraph 9 of Statement 142.

> *Allocating cost.* Acquiring assets in groups requires not only ascertaining the cost of the asset (or net asset) group but also allocating that cost to the individual assets (or individual assets and liabilities) that make up the group. The cost of such a group is determined using the concepts described in paragraphs D4 and D5. The cost of a group of assets acquired in an asset acquisition shall be~~is~~ allocated to the individual assets acquired or liabilities assumed based on their relative fair values and shall~~does~~ not give rise to goodwill. An asset that the entity does not intend to use or intends to use in a way that is not its highest and best use, such as a brand name, shall nevertheless be measured based on its relative fair value. (FAS 141, ¶7; FAS 142, ¶9)

(6) Paragraph E7, to eliminate an incorrect amendment paragraph. Paragraph E7 of Statement 141(R) and paragraph C3 of Statement 160 amended paragraph 19(m) of Opinion 18 differently. See paragraph 8(f)(1) for the amendments made to paragraph C3 of Statement 160. (**Note:** The correct amendment to paragraph 19(m) is reflected in the June 1, 2008, *Original Pronouncements, As Amended*.)

~~APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*, is amended as follows:~~

~~a. Paragraph 19(m), as amended:~~

> ~~An investment in common stock of an investee that was previously accounted for on other than the equity method may become qualified for use of the equity method by an increase in the level of ownership described in paragraph 17 (i.e., acquisition of additional voting stock by the investor, acquisition or retirement of voting stock by the investee, or other transactions). When an investment qualifies for use of the equity method, the investor should adopt the equity method of accounting. The investment, results of operations (current and prior periods presented), and retained earnings of the investor should be adjusted retroactively as if the equity method had been in effect during all previous periods in which the investment was heldin a manner consistent with the accounting for a step-by-step acquisition of a subsidiary.[11a] If that retroactive adjustment is made on or after the date Statement 142 is initially applied in its entirety, the goodwill related to that investment (including goodwill related to step purchases made prior to the initial application of Statement 142) shall not be amortized in determining the amount of the adjustment.~~

(7) Paragraph E27(b), to eliminate an incorrect amendment paragraph. Paragraph E27 of Statement 141(R) and paragraph C10(a) of Statement 160 amended paragraph 6 and its related footnote 5 of Statement 142 differently. (**Note:** The correct amendment to paragraph 6 and its related footnote 5 is included in paragraph C10(a) of Statement 160 and is reflected in the June 1, 2008, *Original Pronouncements, As Amended*.)

~~b. Paragraph 6 and its related footnote 5:~~

> ~~This Statement applies to goodwill and other intangible assets recognized on the acquisition of some or all of the noncontrolling interests in a subsidiary—whether acquired by the parent, the subsidiary itself, or another affiliate.[5] This Statement, including its transition provisions, applies to amounts recognized as goodwill in applying the equity method of accounting and to the excess reorganization value recognized by entities that adopt fresh-start reporting in accordance with AICPA Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy*~~

~~*Code*. That excess reorganization value shall be reported as goodwill and accounted for in the same manner as goodwill.~~

~~[5]Statement 141 requires that the acquisition of some or all of the noncontrolling interests in a subsidiary be accounted for using the purchase method.~~

e. Statement 142 is amended as follows:

(1) Paragraph 9, as amended, to eliminate the inconsistency between the accounting for intangible assets acquired individually or with a group of assets outside a business combination and the guidance included in Appendix D of Statement 141(R) for asset acquisitions. Paragraph 9 states that intangible assets acquired are recognized and measured based on fair value, and Statement 141(R) states that asset acquisitions should be recognized at cost. Paragraphs D2–D7 of Statement 141(R) provide guidance on interpreting cost.

> An intangible asset that is acquired either individually or with a group of other assets (but not those acquired in a business combination) shall be initially recognized and measured based on the guidance included in paragraphs D2–D7 of Statement 141(R). ~~its fair value. The fair value of an intangible asset shall be determined based on the assumptions that market participants would use in pricing the asset. An asset that the entity does not intend to use or intends to use in a way that is not its highest and best use, such as a brand name or a research and development asset, shall nevertheless be measured at its fair value.~~ General concepts related to the initial measurement of assets acquired in exchange transactions, including intangible assets, are provided in paragraphs D2–D7 of Statement 141(R).~~[6]~~ As indicated in paragraph D6 of Statement 141(R), the ~~The~~ cost of a group of assets acquired in a transaction other than a business combination shall be allocated to the individual assets acquired based on their relative fair values and shall not give rise to goodwill.[7] Intangible assets acquired in a business combination are initially recognized and measured in accordance with Statement 141(R).
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> ---
>
> ~~[6]Although those paragraphs refer to determining the cost of the assets acquired, paragraph 18 of APB Opinion No. 29, *Accounting for Nonmonetary Transactions,* notes that, in general, cost should be measured based on the fair value of the consideration given or the fair value of the net assets acquired, whichever is more reliably measurable.~~
>
> [7]Statement 141(R) requires intangible assets acquired in a business combination that do not meet certain criteria to be included in the amount initially recognized as goodwill. Those recognition criteria do not apply to intangible assets acquired in transactions other than business combinations.

f. Statement 160 is amended as follows:

(1) Paragraph C3(c), to show the correct amendment to paragraph 19(m) of Opinion 18. As indicated in paragraph 8(d)(6) above, paragraph E7 of Statement 141(R), which also amended paragraph 19(m), is deleted. (**Note:** The correct amendment to paragraph 19(m) of Opinion 18 is reflected in the June 1, 2008, *Original Pronouncements, As Amended*.)

c. Paragraph 19(m):

> An investment in common stock of an investee that was previously accounted for on other than the equity method may become qualified for use of the equity method by an increase in the level of ownership described in paragraph 17 (i.e., acquisition of additional voting stock by the investor, acquisition or retirement of voting stock by the investee, or other transactions). When an investment qualifies for use of the equity method, the investor should adopt the equity method of accounting. The investment, results of operations (current and prior periods presented), and retained earnings of the investor should be adjusted retroactively ~~in a manner consistent with the accounting for~~<u>on</u> a step-by-step <u>basis</u> ~~acquisition of a subsidiary.~~<u>as if the equity method had been in effect during all previous periods in which the investment was held.</u>[11a] If that retroactive adjustment is made on or after the date Statement 142 is initially applied in its entirety, the goodwill related to that investment (including goodwill related to step purchases made prior to the initial application of Statement 142) shall not be amortized in determining the amount of the adjustment.

g. FASB Interpretation No. 14, *Reasonable Estimation of the Amount of a Loss,* is amended as follows:

(1) Paragraph 7, to eliminate an example that was effectively superseded by FASB Staff Position (FSP) FAS 115-1 and FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments,* issued in November 2005. This example indicates that the test for impairment of a nonmarketable equity security is within the scope of FASB Statement No. 5, *Accounting for Contingencies*. The accounting for an impairment of a nonmarketable equity security or cost method investment is included within the scope of FSP FAS 115-1 and FAS 124-1 and not in Statement 5. Equity securities accounted for under the equity method are within the scope of Opinion 18.

~~As a further example, assume that at December 31, 1976 an enterprise has an investment of $1,000,000 in the securities of another enterprise that has declared bankruptcy, and there is no quoted market price for the securities. Condition (a) in paragraph 8 has been met because information available indicates that the value of the investment has been impaired, and a reasonable estimate of loss is a range between $300,000 and $600,000. No amount of loss in that range appears at the time to be a better estimate of loss than any other amount. *FASB Statement No. 5* requires accrual of the $300,000 loss at December 31, 1976, disclosure of the nature of the contingency and the exposure to an additional amount of loss of up to $300,000, and possibly disclosure of the amount of the accrual.~~

h. FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes,* is amended as follows:

(1) Paragraph 13, to correct an incorrect reference. Paragraphs 35–38 of Statement 109 provide guidance for intraperiod tax allocation, not just paragraphs 35 and 38.

A change in judgment that results in subsequent recognition, derecognition, or change in measurement of a tax position taken in a prior annual period (including any related interest and penalties) shall be recognized as a discrete item in the period in which the change occurs. The provisions of paragraphs 35–~~ and ~~38 in Statement 109 that pertain to intraperiod tax allocation are not changed by this Interpretation.

(2) Paragraph A30, to clarify that the liability for the unrecognized tax benefit for the change in the timing of the amortization may result in an unrecognized tax benefit for interest and penalties not previously recorded, if applicable under the tax law, and would not result in an adjustment to the cumulative-effect adjustment. Any interest and penalties recorded upon adoption would be included in the cumulative-effect adjustment.

Upon adoption of this Interpretation, the enterprise should eliminate the deferred tax liability~~,~~ and recognize a liability for unrecognized tax benefits based on the difference between the three- and seven-year amortization~~, and recognize a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that fiscal year, presented separately~~. Additionally, the enterprise should recognize any additional liability required for~~begin accruing~~ interest and penalties, if applicable under the tax law with the offsetting amount reflected as part of the cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that fiscal year.

i. AICPA Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*, is amended as follows:

(1) Footnote 1 to paragraph .01, to reflect the minor wording changes to the glossary term *combined financial statements* in paragraph B1 of ARB No. 51, *Consolidated Financial Statements*, as added.

> *Consolidation* of a parent and subsidiary organizations requires the presentation of a single set of amounts for the entire reporting entity. ~~*Combination*~~*Combined financial statements*, as discussed in paragraphs 22 and 23 of Accounting Research Bulletin (ARB) No. 51, *Consolidated Financial Statements*, refers to financial statements ~~prepared for organizations among which common control exists~~ of a combined group of commonly controlled entities or commonly managed entities presented as those of a single economic entity. The combined group does not include the parent. ~~but for which the parent-subsidiary relationship does not exist.~~ Both consolidation and combination require elimination of interorganization transactions and balances. This SOP provides no guidance concerning commonly controlled not-for-profit organizations.

j. EITF Issue No. 01-2, "Interpretations of APB Opinion No. 29," is amended as follows:

(1) Paragraph 3(d), to be consistent with paragraph 44 of FASB Statement No. 19, *Financial Accounting and Reporting by Oil and Gas Producing Companies*, as amended. This scope exception should have been deleted as an amendment to the Issue when Statement 153 was issued.

> ~~Transfers of assets used in oil- and gas-producing activities (including either proved or unproved properties) in exchange for other assets also used in oil- and gas-producing activities (the accounting for which is addressed in paragraph 44 of Statement 19 as replaced by paragraph 9(d) of Statement 145).~~

k. AICPA Practice Bulletin No. 6, *Amortization of Discounts on Certain Acquired Loans*, is amended as follows:

(1) Paragraph .22, to reflect the issuance of Statement 141(R).

> **[For ease of use, only the portion of this paragraph affected by this Statement has been reproduced.]**

Illustration 6

Y, an acquired bank, had a loan that originally paid 12-percent interest and that was secured by cash flows from a producing oil well. The well had proven reserves and the collateral coverage was 125 percent of the loan based on net cash flows ([oil produced x market price of oil]—cost to produce).

The price of oil subsequently decreased. Y agreed to accept reduced interest payments in a troubled debt restructuring, because estimates of cash flows at that time indicated that the loan principal plus 4-percent interest would be repaid. The borrower will continue to operate the well, and it is reasonably possible that cash flows of the borrower from additional sources would become available to the bank.

Z acquired Y in a ~~purchase~~ business combination and, in accordance with FASB Statement 141(R),~~APB Opinion 16,~~ recorded the loan at fair value.~~"at present values of amounts to be received determined at appropriate current interest rates." Z believes that the amount and timing of the cash flows are reasonably estimable and the amount is probable of collection.~~

l. AICPA Practice Bulletin No. 11, *Accounting for Preconfirmation Contingencies in Fresh-Start Reporting,* is amended as follows:

(1) Paragraph .03, to be consistent with paragraph .38 of AICPA Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code*.

SOP 90-7 identifies the principles to be applied in adopting fresh-start reporting, which include the following:

- Reorganization value of the entity should be assigned~~allocated~~ to the entity's assets and liabilities in conformity with the procedures specified by FASB Statement No. 141 (revised 2007),~~Accounting Principles Board (APB) Opinion No. 16,~~ *Business Combinations*, for transactions recorded on the basis of the acquisition~~purchase~~ method. If any portion of the~~Any~~ reorganization value cannot be attributed to specific tangible or identified intangible assets of the emerging entity, such amounts should be reported as goodwill in accordance with paragraph 6 of FASB Statement No. 142, *Goodwill and Other Intangible Assets.*~~in excess of amounts allocable to identifiable assets should be amortized in conformity with APB Opinion 17, *Intangible Assets*.~~

- ~~Each liability existing at the plan confirmation date, other than deferred taxes, should be stated at the present values of amounts to be paid.~~

(2) Paragraph .07, to reflect the issuance of Statement 141(R).

Preconfirmation contingencies do not include—

- Allocation of reorganization value to the entity's assets. The initial allocation of the value of the reconstituted entity to individual assets in conformity with the procedures specified by FASB Statement No. 141 (revised 2007), *Business Combinations*, may require the use of estimates. Those estimates may change when information the entity has arranged to obtain has been received—for example, once appraisals of certain assets of the reconstituted business have been received.
- Deductible temporary differences or net operating loss and tax-credit carryforwards that exist at confirmation. FASB Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, and paragraph .38 of SOP 90-7, specify the accounting for those items.

[Revised, ~~June 2004,~~March 2009, to reflect the conforming changes necessary due to the issuance of FASB Statement No. 141 (revised 2007).[fn *]]

[fn *]FASB Statement No. 141 (revised 2007), *Business Combinations*, supersedes FASB Statement No. 141.~~APB Opinion No. 16, *Business Combinations*.~~

m. AICPA Practice Bulletin No. 14, *Accounting and Reporting by Limited Liability Companies and Limited Liability Partnerships*, is amended as follows:

(1) Paragraph .14, to reflect the issuance of FASB Statement No. 154, *Accounting Changes and Error Corrections*.

Presentation of comparative financial statements is encouraged, but not required, by Chapter 2A, "Comparative Financial Statements," of Accounting Research Bulletin (ARB) No. 43, *Restatement and Revision of Accounting Research Bulletins*. If comparative financial statements are presented, amounts shown for comparative purposes must be in fact comparable with those shown for the most recent period, or any exceptions to comparability must be disclosed in the notes to the financial statements. Situations may exist in which financial statements of the same reporting entity for periods prior to the period of conversion are not comparable with those for the most recent period presented, for example, if transactions such as spinoffs or other distributions of assets occurred prior to or as part of the LLC's formation. In such situations, sufficient disclosure should be made so the comparative financial statements are not misleading. If the formation of the LLC results in a new reporting entity, the guidance in FASB Statement No. 154, *Accounting Changes and Error Corrections*, paragraphs 23 and 24~~Accounting Principles Board (APB) Opinion No. 20, *Accounting Changes*, paragraphs 34 and 35~~, should be followed and the change should be retrospectively applied to the financial statements of all prior periods presented to show financial information for the new reporting entity for those periods.~~financial statements for all prior periods presented should be restated.~~

n. FASB Special Report, *A Guide to Implementation of Statement 115 on Accounting for Certain Investments in Debt and Equity Securities,* is amended as follows:

(1) Question and Answer No. 43, to eliminate the reference to the requirement to disclose amortized cost amounts for available-for-sale securities, which was effectively superseded by paragraph 534(f) of Statement 133.

Q—When securities are transferred from available-for-sale to held-to-maturity or vice versa, is the subsequent amortization of a premium or discount based on the amortized cost of the security or its fair value at the date of transfer?

A—When a security is transferred from available-for-sale to held-to-maturity, the difference between the par value of the security and its fair value at the date of transfer is amortized as a yield adjustment in accordance with FASB Statement No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*. That fair value amount, adjusted for subsequent amortization, becomes the security's amortized cost basis~~ for the disclosures required by paragraphs 19, 20, and 22~~.

When a security is transferred from held-to-maturity to available-for-sale, the security's amortized cost basis carries over to the available-for-sale category for the following purposes: the subsequent amortization of the historical premium or discount~~,~~ and the comparisons of fair value and amortized cost for the purpose of determining unrealized holding gains and losses under paragraph 13~~, and the required disclosures of amortized cost~~. As paragraphs 15 and 22 indicate, transfers from the held-to-maturity category should be rare, except for transfers due to the changes in circumstances identified in paragraphs 8(a)–8(f).

(2) Question and Answer No. 51, to eliminate the reference to the requirement to disclose amortized cost amounts, which was effectively superseded by paragraph 534(f) of Statement 133 for available-for-sale securities.

> *Q*—Must the statement of cash flows show purchases, sales, and maturities of securities reported as cash equivalents?
>
> *A*—No. Statement 115 did not change the requirements of FASB Statement No. 95, *Statement of Cash Flows,* which permits reporting activity in cash equivalents as a net change. However, securities that are considered cash equivalents are subject to the accounting and disclosure requirements of Statement 115~~, such as disclosure of amortized cost and fair value by major security types~~. Paragraph 117 of Statement 115 indicates that enterprises should provide a note explaining what portion of each category of securities is reported as cash equivalents in the statement of financial position and the statement of cash flows.

Amendments Resulting from Statement 160

9. Paragraph C2 of Statement 160 states that all instances of the term *minority interest(s)* are replaced by the term *noncontrolling interest(s)*. However, that amendment was limited to revising the term *minority interest(s)*. This Statement will update equivalent terms including *minority* to *noncontrolling,* for example, minority shareholder(s), minority public ownership, and minority ownership. In addition, it will delete the term from EITF Issue No. 94-10, "Accounting by a Company for the Income Tax Effects of Transactions among or with Its Shareholders under FASB Statement No. 109," because it is not relevant.

a. Opinion 18 is amended as follows:

(1) Paragraph 3(d):

> "Corporate joint venture" refers to a corporation owned and operated by a small group of businesses (the "joint venturers") as a separate and specific business or project for the mutual benefit of the members of the group. A government may also be a member of the group. The purpose of a corporate joint venture frequently is to share risks and rewards in developing a new market, product or technology; to combine complementary technological knowledge; or to pool resources in developing production or other facilities. A corporate joint venture also usually provides an arrangement under which each joint venturer may participate, directly or indirectly, in the overall management of the joint venture. Joint venturers thus have an interest or relationship other than as passive investors. An entity which is a subsidiary of one of the "joint venturers" is not a

corporate joint venture. The ownership of a corporate joint venture seldom changes, and its stock is usually not traded publicly. A ~~minority~~noncontrolling public ownership, however, does not preclude a corporation from being a corporate joint venture.

b. FASB Statement No. 89, *Financial Reporting and Changing Prices*, is amended as follows:

(1) Paragraph 107, as amended:

Noncontrolling interests in consolidated subsidiaries. The interests of ~~minority~~noncontrolling shareholders in the earnings and equity of subsidiaries are, from the consolidated entity's point of view, claims that are not fixed. Rather, they are residuals that will vary based on the subsidiary's earnings, dividends, and other transactions affecting its equity and so are nonmonetary. (Refer to paragraph 108 as to classification of capital stock of the enterprise or of its consolidated subsidiaries subject to mandatory redemption at fixed amounts.)

c. Statement 109 is amended as follows:

(1) Paragraph 33(b), as amended:

An enterprise may execute a statutory merger whereby a subsidiary is merged into the parent company, the ~~minority~~noncontrolling shareholders receive stock of the parent, the subsidiary's stock is cancelled, and no taxable gain or loss results if the continuity of ownership, continuity of business enterprise, and certain other requirements of the tax law are met.

d. Issue 94-10, is amended as follows:

(1) The second paragraph of the Issue section, to eliminate the reference to "minority interest" because transactions with minority/noncontrolling interests are accounted for in the same manner as transactions with other shareholders pursuant to Statement 160.

Other transactions among shareholders may change the tax bases of the assets and liabilities of the company. For example, an investor purchases 100 percent of the outstanding stock of a company in a transaction that is treated as a purchase of assets for tax purposes but does not "push down" the purchase price for financial reporting purposes to the acquired company. In that situation, the acquired company's financial reporting bases of its assets and liabilities do not change but the tax bases of its assets and liabilities are adjusted and, consequently, the deferred tax liabilities and assets are also adjusted accordingly. This Issue does not address shareholder transactions ~~among or with minority shareholders of a subsidiary or shareholder transactions~~ that involve a change in the tax status of a company (such as a change from nontaxable S corporation status to taxable C corporation status).

e. EITF Issue No. 96-16, "Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Minority Shareholder or Shareholders Have Certain Approval or Veto Rights," is amended as follows:

(1) The title:

"Investor's Accounting for an Investee When the Investor Has a Majority of the Voting Interest but the Noncontrolling~~Minority~~ Shareholder or Shareholders Have Certain Approval or Veto Rights"

(2) All instances of the term *minority* are replaced by the term *noncontrolling*.

EFFECTIVE DATE AND TRANSITION

10. This Statement shall be effective upon issuance.

The provisions of this Statement need not be applied to immaterial items.

Appendix

BACKGROUND INFORMATION AND BASIS FOR CONCLUSIONS

Introduction

A1. This appendix summarizes considerations that Board members deemed significant in reaching the conclusions in this proposed Statement. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

Background Information

A2. In May 2008, in response to constituent requests, the Board undertook a project to address certain differences in the amendments made to Statements 141(R) and 160. As part of the project, the Board decided to make various technical corrections to other pronouncements, which is done periodically. The last technical corrections standard issued was FASB Statement No. 145, *Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections.*

Technical Corrections

A3. When a pronouncement is developed, the Board's due process procedures require determination of the effect of the new standard on existing authoritative accounting literature. The existing authoritative accounting literature is amended for any such effects, thereby eliminating conflicts between the requirements of prior pronouncements and the requirements of the new pronouncement. If it is subsequently discovered that additional changes should have been made as a result of that process, those changes are made to the various editions of the FASB's *Current Text*, and those technical corrections are appropriately indicated in the FASB's *Original Pronouncements, As Amended*. The FASB staff and various constituents have identified instances in which additional amendments should be made to certain pronouncements. This Statement includes both changes already reflected in the latest editions of the *Current Text* and *Original Pronouncements, As Amended,* and changes not yet reflected. Additionally, these changes will be reflected in the *FASB Accounting Standards Codification*™. On July 1, 2009, the Codification is expected to become the single official source of authoritative nongovernmental U.S. GAAP, superseding existing FASB, AICPA, EITF, and related literature. After that date, only one level of authoritative GAAP will exist.

A4. A technical correction is a nonsubstantive amendment to an authoritative pronouncement. A technical correction reflects the Board's intent on decisions that were previously subjected to its due process but were overlooked or not clearly stated at the time a pronouncement was issued. In certain cases, a technical correction may change current practice.

A5. In November 1992, when the Board first issued a standard to make technical corrections (FASB Statement No. 111, *Rescission of FASB Statement No. 32 and Technical Corrections*), it considered which parts of previously issued pronouncements to amend and decided that only the official guidance sections should be amended. The Board believes that only those sections that have been included in the Codification should be amended.

A6. In addition to the accounting guidance and historical paragraphs, a pronouncement sometimes contains other paragraphs or appendixes that (a) state the scope of the pronouncement, (b) indicate substantive amendments to other existing pronouncements, (c) present examples or illustrations of the application of the requirements of the pronouncement, or (d) present a glossary of the terms used in the pronouncement. The Board believes that the content of those various paragraphs and appendixes provides part of the accounting guidance of the pronouncement and should be amended if the pronouncement is amended by a subsequent pronouncement.

Effective Date and Transition

A7. The amendments to make technical corrections to existing pronouncements represent items the Board intended to include within accounting pronouncements that are already in effect. The provisions of this proposed Statement would be effective upon issuance of the final Statement.

Benefits and Costs

A8. 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. Current and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement a new standard are borne primarily by current investors. The Board's assessment of the costs and benefits of issuing an accounting standard is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement an accounting standard or to quantify the value of improved information in financial statements. The Board's assessment of this proposed Statement's benefits and costs is based on discussions with preparers, auditors, regulators, and users of financial statements. The Board considered the incremental costs of implementing the provisions of this proposed Statement and concluded that those costs do not outweigh the benefits of comparability and simplification.

A9. The Board's mission statement affirms that the Board determines whether a proposed standard will fill a significant need and whether the costs it imposes will be justified in relation to its overall benefits. The Board believes that the benefits of consistent application outweigh any effort required on the part of preparers.

A10. The Board believes that financial reporting is both simplified and improved by removing obsolete standards, eliminating inconsistencies, providing certain clarifications to reflect the Board's intent in previously issued authoritative accounting pronouncements, and incorporating the amendments and technical corrections in this proposed Statement.

A11. The Board does not expect that the provisions of this proposed Statement would result in significant changes in practice; therefore, the Board believes the cost of implementing the provisions of this proposed Statement would not be significant.