

# FINANCIAL ACCOUNTING SERIES

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## ACCOUNTING STANDARDS UPDATE

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No. 2012-04  
October 2012

### Technical Corrections and Improvements

An Amendment of the *FASB Accounting Standards Codification*®

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Financial Accounting Standards Board  
of the Financial Accounting Foundation

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



# Accounting Standards Update 2012-04

## Technical Corrections and Improvements

October 1, 2012

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# Summary

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

Since the *FASB Accounting Standards Codification*<sup>®</sup> was established in September 2009 as the source of authoritative U.S. generally accepted accounting principles (GAAP) to be applied by nongovernmental entities, stakeholders have provided feedback on corrections and clarifications using the Codification Research System's feedback mechanism. The Codification's Notice to Constituents describes the procedure for feedback submissions, which involves the staff analyzing and processing the submissions and including any resulting changes to the Codification in maintenance updates or in an Accounting Standards Update.

On November 10, 2010, the acting FASB chairman added a standing project to the FASB's agenda to address feedback received from stakeholders on the Codification and to make other incremental improvements to U.S. GAAP. This perpetual project will facilitate Codification updates for technical corrections, clarifications, and improvements, and should eliminate the need for periodic agenda requests for narrow and incremental items. These amendments are referred to as Technical Corrections and Improvements.

The Board decided that the types of issues that it will consider through this project are changes to clarify the Codification or correct unintended application of guidance that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. In addition, this Update includes more substantive, limited-scope improvements. These are items that represent narrow and incremental improvements to U.S. GAAP and are not purely technical corrections. The amendments in this Update include items raised to the Board through the Codification's feedback mechanism and are items that the Board concluded met the scope of this project, rather than that of a maintenance update, making an amendment necessary. Maintenance updates include nonsubstantive corrections to the Codification, such as editorial corrections, various types of link-related changes, and changes to source fragment information that is used for the Cross Reference and Printer-Friendly with Sources options of the Codification.

Additionally, this Update includes amendments that identify when the use of *fair value* should be linked to the definition of fair value in Topic 820, *Fair Value Measurement*. At the time of issuance of FASB Statement No. 157, *Fair Value Measurements*, only Accounting Principles Board Opinions, FASB Statements, and certain FASB Technical Bulletins were amended. Certain areas of the authoritative guidance were not updated, such as guidance issued by the Emerging Issues Task Force, or Statements of Position issued by the American

Institute of Certified Public Accountants (AICPA). This Update contains conforming amendments to the Codification to reflect the measurement and disclosure requirements of Topic 820. These amendments are referred to as Conforming Amendments. Additionally, this Update deletes the second glossary definition of fair value that originated from AICPA Statement of Position 92-6, *Accounting and Reporting by Health and Welfare Benefit Plans*. The first definition (originating from FASB Statement No. 123 [revised 2004], *Share-Based Payment*, and the third definition (originating from Statement 157) remain.

The Conforming Amendments to U.S. GAAP included in this Update are generally nonsubstantive in nature. Many of the amendments conform wording to be consistent with the terminology in Topic 820; for example, revising *market value* and *current market value* to *fair value*, or *mark-to-market* to *subsequently measure at fair value*. The Board does not anticipate that the amendments in this Update will result in pervasive changes to current practice. However, certain amendments may result in a change to existing practice. For those amendments which the Board deemed to be more substantive, transition guidance and a delayed effective date accompany them.

## Who Is Affected by the Amendments in This Update?

This Update contains amendments that affect a wide variety of Topics in the Codification. The Status tables in paragraphs 288–398 list all Topics affected by this Update.

The amendments in this Update apply to all reporting entities within the scope of the affected accounting guidance.

## What Are the Main Provisions?

The amendments in this Update cover a wide range of Topics in the Codification. These amendments are presented in two sections—Technical Corrections and Improvements (Section A) and Conforming Amendments Related to Fair Value Measurements (Section B).

The amendments in Section A have been categorized in the following manner:

1. **Source literature amendments.** These amendments arose because of differences between source literature (for example, FASB Statements, EITF Issues, and so forth) and the Codification. These amendments principally carry forward legacy (pre-Codification) guidance and/or subsequent amendments into the Codification. Many times either the writing style or phrasing of the source literature did not directly translate into the Codification format and style. As a result, the meaning of the

guidance might have been unintentionally altered. Alternatively, amendments in this section relate to guidance that, when originally codified, was missing words, references, or phrasing that, upon review, was deemed important to the guidance.

2. **Guidance clarification and reference corrections.** These amendments provide clarification through updating wording, correcting references, or a combination of both. In most cases the feedback suggested that without these enhancements, guidance may be misapplied or misinterpreted.
3. **Relocated guidance.** These amendments principally move guidance from its current location in the Codification to a more appropriate location. Many times these changes relate to the scope of guidance—the current placement of the guidance in a certain Topic or Subtopic in the Codification either unintentionally narrows or unintentionally broadens its scope when compared with the legacy literature.

The amendments in Section B are intended to conform terminology and clarify certain guidance in various Topics of the Codification to fully reflect the fair value measurement and disclosure requirements of Topic 820. The amendments are not introducing any new fair value measurements and are not intended to result in a change in the application of the requirements in Topic 820 or fundamentally change other principles of U.S. GAAP. However, it is possible that certain amendments may result in a change to existing practice. See paragraph 3 of this Update for further description of the amendments and related transition guidance for those amendments that the Board deemed to be more substantive.

The Basis for Conclusions summarizes the Board's considerations in reaching the conclusions of this Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others. The reason for each amendment in Section A is provided before each amendment for clarity and ease of understanding.

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

The amendments in this Update represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Additionally, the amendments will make the Codification easier to understand and the fair value measurement guidance easier to apply by eliminating inconsistencies and providing needed clarifications.

## When Will the Amendments Be Effective?

The amendments in this Update that will not have transition guidance will be effective upon issuance for both public entities and nonpublic entities. For public entities, the amendments that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2012. For nonpublic entities, the amendments that are subject to the transition guidance will be effective for fiscal periods beginning after December 15, 2013.

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

This Update is not intended to significantly change U.S. GAAP. The amendments are not expected to create any new differences between U.S. GAAP and IFRS.

# Amendments to the *FASB Accounting Standards Codification*<sup>®</sup>

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## Section A—Technical Corrections and Improvements: Amendments to the Accounting Standards Codification

### Introduction

1. This section of the Update is organized into three subsections:
  - a. **Source literature amendments.** These amendments arose because of differences between source literature (for example, FASB Statements, EITF Issues, and so forth) and the Codification. These amendments principally carry forward legacy (pre-Codification) guidance and/or subsequent amendments into the Codification. Many times either the writing style or phrasing of the source literature did not directly translate into the Codification format and style. As a result, the meaning of the guidance might have been unintentionally altered. Alternatively, amendments in this section relate to guidance that, when originally codified, was missing words, references, or phrasing that, upon review, was deemed important to the guidance.
  - b. **Guidance clarification and/or reference corrections.** These amendments provide clarification through updating wording, correcting references, or a combination of both. In most cases, the feedback reviewed suggested that without these enhancements guidance may be misapplied or misinterpreted.
  - c. **Relocated guidance.** These amendments principally move guidance from its current location in the Codification to a more appropriate location. Many times these changes relate to the scope of guidance—the current placement of the guidance in a certain Topic or Subtopic in the Codification either unintentionally narrows or unintentionally broadens its scope when compared with the legacy literature.
2. Each change to the Codification is described, and the consequential amendments to the Codification are then outlined for each of the above three categories of amendments. In some cases, to put the change in context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.
3. The majority of the amendments are not expected to change practice, and therefore transition guidance is not provided for most amendments. The

amendments addressed in paragraphs 31, 271, 274, and 277–285 are deemed to be more substantive, and transition guidance should be applied to affected transactions as of the beginning of the fiscal year in which this Update is initially applied. The cumulative effect of the change in accounting principle should be recognized as an 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. The cumulative-effect adjustment is the difference between the amounts recognized in the statement of financial position before initial application of this Update and the amounts recognized in the statement of financial position at initial application of this Update. Additionally, entities may elect to apply the above amendments retrospectively. An entity should follow the disclosure requirements of Section 250-10-50. In instances in which the amendments affect pending content, those amendments will follow the transition guidance of the pending content. Those amendments are addressed in paragraphs 21, 56, 62, and 136.

4. Add paragraph 105-10-65-2 and its related heading as follows:

## **Generally Accepted Accounting Principles—Overall**

### **Transition and Open Effective Date Information**

#### **> Transition Related to Accounting Standards Update No. 2012-04, Technical Corrections and Improvements**

**105-10-65-2** The following represents the transition and effective date information related to Accounting Standards Update No. 2012-04, *Technical Corrections and Improvements*:

- a. The pending content that links to this paragraph shall be effective for fiscal periods beginning after December 15, 2012, except for {add glossary link to 1st definition}nonpublic entities{add glossary link to 1st definition}, which shall apply the pending content that links to this paragraph in fiscal periods beginning after December 15, 2013.
- b. The cumulative effect of the change in accounting principle of the pending content that links to this paragraph shall be recognized as an adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for the period of adoption and shall be presented separately. The cumulative-effect adjustment is the difference between the amounts recognized in the statement of financial position before initial application of the pending content that links to this paragraph and the amounts recognized in the statement of financial position at initial application of the pending content that links here.

- c. An entity may elect to apply the pending content that links to this paragraph retrospectively.
- d. An entity shall follow the disclosure requirements of Section 250-10-50.

## Source Literature Amendments

5. These amendments arose because of differences between source literature (for example, FASB Statements, EITF Issues, and so forth) and the Codification. These amendments principally carry forward legacy (pre-Codification) guidance and/or subsequent amendments into the Codification. Many times either the writing style or phrasing of the source literature did not directly translate into the Codification format and style. As a result, the meaning of the guidance might have been unintentionally altered. Alternatively, amendments in this section relate to guidance that, when originally codified, was missing words, references, or phrasing that, upon review, was deemed important to the guidance.

## Amendments to Topic 210

6. The first amendment adds an omitted scope consideration to the general guidance in Subtopic 210-20, Balance Sheet—Offsetting, to incorporate guidance that was in FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts* (codified in Topic 815, Derivatives and Hedging). This amendment adds this scope consideration as paragraph 210-20-15-3(dd) and refers to the offsetting guidance in paragraphs 815-10-45-1 through 45-7. The second amendment reflects the addition to Section 60 (Relationships) within Subtopic 210-20 of a reference to the appropriate guidance in Topic 815 within the Codification.

7. Amend paragraph 210-20-15-3 and add paragraph 210-20-60-3A and its related heading, with no link to a transition paragraph, as follows:

### **Balance Sheet—Offsetting**

#### **Scope and Scope Exceptions**

##### **> Other Considerations**

**210-20-15-3** The general principle of a **right of setoff** involves only two parties, and exceptions to that general principle shall be limited to practices specifically permitted by the Subtopics listed in this paragraph. Various accounting Subtopics specify accounting treatments in circumstances that result in offsetting or in a presentation in a statement of financial position that is similar to the effect of offsetting. The guidance in this Subtopic does not modify the accounting

treatment in the particular circumstances prescribed by any of the following Subtopics:

- a. Paragraphs 840-30-35-32 through 35-52 (leveraged leases)
- b. Subtopic 715-30 (accounting for pension plan assets and liabilities)
- c. Subtopic 715-60 (accounting for plan assets and liabilities)
- d. Subtopic 740-30 (net tax asset or liability amounts reported)
- dd. Paragraphs 815-10-45-1 through 45-7 (derivative instruments with the right to reclaim cash collateral or the obligation to return cash collateral)
- e. Subtopics 940-320 (trade date accounting for trading portfolio positions) and 910-405 (advances received on construction contracts)
- f. Paragraph 942-305-45-1 (reciprocal balances with other banks).

## **Relationships**

### **> Derivatives and Hedging**

**210-20-60-3A** For guidance on derivative instruments with the right to reclaim cash collateral or the obligation to return cash collateral, see paragraphs 815-10-45-1 through 45-7.

## **Amendments to Subtopic 310-20**

8. The following amendment incorporates the wording in legacy literature, specifically the wording in paragraph 3 of EITF Issue No. 01-7, “Creditor’s Accounting for a Modification or Exchange of Debt Instruments.” The Codification omitted the criterion that the modifications of the original debt instrument must be more than minor for a creditor to account for the modified debt instrument as a new debt instrument.

9. Amend paragraph 310-20-35-9, with no link to a transition paragraph, as follows:

## **Receivables—Nonrefundable Fees and Other Costs**

### **Subsequent Measurement**

#### **> Loan Refinancing or Restructuring**

**310-20-35-9** If the terms of the new loan resulting from a loan refinancing or restructuring other than a troubled debt restructuring are at least as favorable to the lender as the terms for comparable loans to other customers with similar collection risks who are not refinancing or restructuring a loan with the lender, the

refinanced loan shall be accounted for as a new loan. This condition would be met if the new loan's effective yield is at least equal to the effective yield for such loans and modifications of the original debt instrument are more than minor. Any unamortized net fees or costs and any prepayment penalties from the original loan shall be recognized in interest income when the new loan is granted. The effective yield comparison considers the level of nominal interest rate, commitment and origination fees, and direct loan origination costs and would also consider comparison of other factors where appropriate, such as compensating balance arrangements.

## Amendments to Subtopic 320-10

10. The following amendment reflects the legacy literature in paragraph 13 of FASB Staff Position (FSP) FAS 115-1 and FAS 124-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments," that referenced paragraph 6 of APB Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock*. This amendment adds a reference to Section 323-10-35 that codified part of paragraph 6 of Opinion 18.

11. Amend paragraphs 320-10-35-30 and 320-10-35-32A, with no link to a transition paragraph, as follows:

### Investments—Debt and Equity Securities—Overall

#### Subsequent Measurement

##### > > > Step 2: Evaluate Whether an Impairment Is Other than Temporary

**320-10-35-30** If the fair value of an investment is less than its amortized cost basis at the balance sheet date of the reporting period for which impairment is assessed, the impairment is either temporary or other than temporary. In addition to the guidance in this Section, an entity shall apply other guidance that is pertinent to the determination of whether an impairment is other than temporary, such as the guidance in ~~Section~~Sections 323-10-35 and 325-40-35, as applicable. *Other than temporary* does not mean permanent.

##### > > > > Equity Securities

**320-10-35-32A** For equity securities, an entity shall apply guidance that is pertinent to the determination of whether an impairment is other than temporary, such as ~~Section~~Sections 323-10-35 and 325-40-35.

12. These amendments codify into Topic 320, Investments—Debt and Equity Securities, part of paragraph 20 of FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, that was originally only included in Topic 942, Financial Services—Depository and Lending. These amendments clarify that the guidance in paragraph 20 of Statement 115 is also required for other financial institutions, such as insurance companies.

13. Amend paragraphs 320-10-50-3 and 320-10-50-5, with no link to a transition paragraph, as follows:

## Disclosure

**320-10-50-3** Maturity information may be combined in appropriate groupings. In complying with this requirement, financial institutions (see paragraph 942-320-50-1) shall disclose the fair value and the net carrying amount (if different from fair value) of debt securities on the basis of at least the following four maturity groupings:

- a. Within one year
- b. After one year through five years
- c. After 5 years through 10 years
- d. After 10 years.

Securities not due at a single maturity date, such as mortgage-backed securities, may be disclosed separately rather than allocated over several maturity groupings; if allocated, the basis for allocation also shall be disclosed.

### > Securities Classified as Held to Maturity

**320-10-50-5** For securities classified as held to maturity, all reporting entities shall disclose all of the following by major security type as of each date for which a statement of financial position is presented:

- a. Amortized cost basis
- aa. Aggregate fair value
- b. Gross unrecognized holding gains
- c. Gross unrecognized holding losses
- d. Net carrying amount
- dd. Total other-than-temporary impairment recognized in accumulated other comprehensive income
- e. Gross gains and losses in accumulated other comprehensive income for any derivatives that hedged the forecasted acquisition of the held-to-maturity securities
- f. Information about the contractual maturities of those securities as of the date of the most recent statement of financial position presented.

(Maturity information may be combined in appropriate groupings. In complying with this requirement, financial institutions [see paragraph 942-320-50-1] shall disclose the fair value and the net carrying amount (if different from fair value) of debt securities on the basis of at least the following four maturity groupings:

1. Within one year
2. After one year through five years
3. After 5 years through 10 years
4. After 10 years.

Securities not due at a single maturity date, such as mortgage-backed securities, may be disclosed separately rather than allocated over several maturity groupings; if allocated, the basis for allocation also shall be disclosed.)

## Amendments to Topic 470

14. The following amendment incorporates the requirements in EITF Issue No. 86-28, "Accounting Implications of Indexed Debt Instruments," that were omitted from the Codification. This guidance was originally excluded from the Codification because it was not believed to be used in practice.

15. Amend paragraph 470-10-05-5 and add paragraphs 470-10-25-3 through 25-4 and 470-10-35-4 and their related headings, with no link to a transition paragraph, as follows:

### **Debt—Overall**

#### **Overview and Background**

**470-10-05-5** The Overall Subtopic addresses classification determination for specific obligations, such as the following:

- a. Short-term obligations expected to be refinanced on a long-term basis
- b. Due-on-demand loan arrangements
- c. Callable debt
- d. Sales of future revenue
- e. Increasing rate debt
- f. Debt that includes covenants
- g. Revolving credit agreements subject to lock-box arrangements and subjective acceleration ~~clauses~~clauses.
- h. Indexed debt.

## Recognition

### > Indexed Debt

470-10-25-3 Debt instruments may be issued with both guaranteed and contingent payments. The contingent payments may be linked to the price of a specific commodity (for example, oil) or a specific index (for example, the S&P 500). In some instances, the investor's right to receive the contingent payment (an indexing feature) is separable from the debt instrument. If the indexing feature does not warrant separate accounting under Topic 815 or the instrument does not meet the definition of a derivative under Topic 815, the entire instrument shall be accounted for in accordance with paragraphs 470-10-25-4 and 470-10-35-4.

470-10-25-4 If the investor's right to receive the contingent payment is separable, the proceeds shall be allocated between the debt instrument and the investor's stated right to receive the contingent payment. The premium or discount on the debt resulting from the allocation shall be accounted for in accordance with Subtopic 835-30.

## Subsequent Measurement

### > Indexed Debt

470-10-35-4 As the applicable index value increases such that an issuer would be required to pay an investor a contingent payment at maturity, the issuer shall recognize a liability for the amount that the contingent payment exceeds the amount, if any, originally attributed to the contingent payment feature. The liability for the contingent payment feature shall be based on the applicable index value at the balance sheet date and shall not anticipate any future changes in the index value. When no proceeds are allocated originally to the contingent payment, the additional liability resulting from the fluctuating index value shall be accounted for as an adjustment of the carrying amount of the debt obligation.

16. The following amendment is consistent with the scope in the legacy literature in paragraph 3 of EITF Issue No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios." Issue 98-5 uses the term *convertible securities*. This term is broader in scope than the codified guidance in paragraph 470-20-25-4 that originally defined convertible instruments with the parenthetical terms *convertible debt and convertible preferred stock*.

17. Amend paragraph 470-20-25-4, with no link to a transition paragraph, as follows:

## Debt—Debt with Conversion and Other Options

### Recognition

#### > Beneficial Conversion Features

**470-20-25-4** The guidance in the following paragraph and paragraph 470-20-25-6 applies to all of the following instruments if the instrument is not within the scope of the Cash Conversion Subsections:

- a. ~~Convertible instruments (convertible debt instruments and convertible preferred stock)~~ **Convertible securities** with beneficial conversion features that must be settled in stock
- b. ~~Convertible shares~~ **Convertible securities** with beneficial conversion features that give the issuer a choice of settling the obligation in either stock or cash
- c. Instruments with beneficial conversion features that are convertible into multiple instruments, for example, a convertible preferred stock that is convertible into common stock and detachable warrants
- d. Instruments with conversion features that are not beneficial at the commitment date (see paragraphs 470-20-30-9 through 30-12) but that become beneficial upon the occurrence of a future event, such as an initial public offering.

18. The following amendment incorporates the legacy literature in paragraph 20 of EITF Issue No. 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments." The Codification language is missing the requirement in paragraph 20 of Issue 00-27 regarding the amortization of the recorded discount for the instruments in paragraph 470-20-35-7(c) that differ from the amortization requirements of discounts in paragraph 470-20-35-7(a).

19. Amend paragraph 470-20-35-7, with no link to a transition paragraph, as follows:

### Subsequent Measurement

#### > > Effects of Beneficial Conversion Features

**470-20-35-7** Any discount recognized by the allocation of proceeds to a beneficial conversion feature under paragraph 470-20-25-5 shall be accounted for as follows:

- a. Instruments having a stated redemption date. If a convertible instrument has a stated redemption date (such as **debt** and mandatorily

redeemable preferred stock), that discount shall be accreted from the date of issuance to the stated redemption date of the convertible instrument, regardless of when the earliest conversion date occurs. Example 7 (see paragraph 470-20-55-28) illustrates the application of this guidance.

- b. Instruments involving a multiple-step discount. If an instrument incorporates a multiple-step discount and does not have a stated redemption date, that discount shall be amortized over the minimum period in which the investor can recognize that return. However, amortization recognized may require adjustment to ensure that the discount amortized at any point in time is not less than the amount the holder of the instrument could obtain if conversion occurred at that date. This method can be expressed as requiring cumulative amortization equal to the greater of the following:
  1. The amount derived using the effective yield method based on the conversion terms most beneficial to the investor
  2. The amount of discount that the investor can realize at that interim date.
- c. All other instruments. If a convertible instrument does not involve a multiple-step discount and does not have a stated redemption date (such as perpetual preferred stock), that discount shall be amortized from the date of issuance to the earliest conversion date as follows:
  1. For convertible preferred securities, that discount (which is analogous to a dividend) shall be recognized as a return to the preferred shareholders using the effective yield method.
  2. For convertible debt securities, that discount shall be recognized as interest expense using the effective yield method.

All discounts retain their character such that a discount resulting from the accounting for a beneficial conversion option is amortized from the date of issuance to the earliest conversion date. For SEC registrants, other discounts on perpetual preferred stock that has no stated redemption date but that is required to be redeemed if a future event that is outside the control of the issuer occurs (such as a change in control) shall be accounted for in accordance with Section 480-10-S99.

## Amendments to Subtopic 810-10

20. The first amendment to paragraph 810-10-50-3 reflects the deletion of the parenthetical statement at the end of the introductory paragraph. This amendment conforms to FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)*. The information in parentheses conflicts with the last sentence of paragraph 810-10-50-3 that requires an entity to be a business, have assets that can be used to settle obligations outside of the variable interest entity, and have a majority of the voting interest. The second amendment also results

from Statement 167 and corrects the improper exception to the disclosure requirements in the pending content.

21. Amend paragraph 810-10-50-3, with no link to a transition paragraph, as follows:

## **Consolidation—Overall**

### **Disclosure**

#### **> Primary Beneficiary of a VIE**

**810-10-50-3** The **primary beneficiary** of a VIE that is a **business** shall provide the disclosures required by other guidance. The primary beneficiary of a VIE that is not a business shall disclose the amount of gain or loss recognized on the initial consolidation of the VIE. In addition to disclosures required elsewhere in this Topic, the primary beneficiary of a VIE shall disclose all of the following (~~unless the primary beneficiary also holds a majority voting interest~~):

- a. Subparagraph superseded by Accounting Standards Update No. 2009-17
- b. Subparagraph superseded by Accounting Standards Update No. 2009-17
- bb. The carrying amounts and classification of the VIE's assets and liabilities in the statement of financial position that are consolidated in accordance with the Variable Interest Entities Subsections, including qualitative information about the relationship(s) between those assets and liabilities. For example, if the VIE's assets can be used only to settle obligations of the VIE, the reporting entity shall disclose qualitative information about the nature of the restrictions on those assets.
- c. Lack of recourse if creditors (or beneficial interest holders) of a consolidated VIE have no recourse to the general credit of the primary beneficiary
- d. Terms of arrangements, giving consideration to both explicit arrangements and implicit variable interests that could require the reporting entity to provide financial support (for example, liquidity arrangements and obligations to purchase assets) to the VIE, including events or circumstances that could expose the reporting entity to a loss.

A VIE may issue voting equity interests, and the entity that holds a majority voting interest also may be the primary beneficiary of the VIE. If so, and if the VIE meets the definition of a business and the VIE's assets can be used for purposes other than the settlement of the VIE's obligations, the disclosures in ~~this~~ paragraph 810-10-50-3(bb) through (d) are not required.

## Amendments to Topic 815

22. The following amendments relate to the legacy literature in paragraph 59 of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, that was codified in paragraph 815-10-15-17. The Codification paragraph uses a list to outline the requirements that were formerly in paragraph 59 of Statement 133. As a result, paragraph 815-10-15-17(c) is conforming to the original intent of paragraph 59 of Statement 133. Additionally, paragraph 815-10-15-17(a) through (b) is being amended to clarify the original intent of the guidance in Statement 133, and clarifying language is necessary to translate the intent of paragraph 59 into the Codification as marked below.

23. Amend paragraphs 815-10-15-17 and 815-10-15-19, with no link to a transition paragraph, as follows:

### Derivatives and Hedging—Overall

#### Scope and Scope Exceptions

**815-10-15-17** The scope exception for regular-way security trades applies only to a contract that requires delivery of securities that are **readily convertible to cash** except that the scope exception also shall or may apply in any of the following circumstances:

- a. If an entity is required, or has a continuing policy, to account for a contract to purchase or sell an existing security on a trade-date basis, rather than a settlement-date basis, and thus recognizes the acquisition (or disposition) of the security at the inception of the contract, then the entity shall apply the regular-way security trades scope exception to that contract.
- b. If an entity is required, or has a continuing policy, to account for a contract for the purchase or sale of when-issued securities or other securities that do not yet exist on a trade-date basis, rather than a settlement-date basis, and thus recognizes the acquisition or disposition of the securities at the inception of the contract, that entity shall apply the regular-way security trades scope exception to those contracts.
- c. Contracts for the purchase or sale of when-issued securities or other securities that do not yet exist, except for those contracts accounted for on a trade-date basis, are excluded from the requirements of this Subtopic as a regular-way security trade only if all of the following are true:
  1. There is no other way to purchase or sell that security.
  2. Delivery of that security and settlement will occur within the shortest period possible for that type of security.

3. It is probable at inception and throughout the term of the individual contract that the contract will not settle net and will result in physical delivery of a security when it is issued. (The entity shall document the basis for concluding that it is probable that the contract will not settle net and will result in physical delivery.)

Example 9 (see paragraph 815-10-55-118) illustrates the application of item (c) in this paragraph.

**815-10-15-19** A contract for the purchase or sale of when-issued securities or other securities that do not yet exist is eligible to qualify for the regular-way security trades scope exception (as discussed in paragraph 815-10-15-17) even though either of the following is true:

- a. That contract permits net settlement (as discussed in paragraphs 815-10-15-100 through 15-109).
- b. A market mechanism exists to facilitate net settlement of that contract (as discussed in paragraphs 815-10-15-110 through 15-118).

See Example 9 (paragraph 815-10-55-118).

24. The following amendment relates to the legacy literature in the response paragraph of Statement 133 Implementation Issue No. K3, "Miscellaneous: Determination of Whether Combinations of Options with the Same Terms Must Be Viewed as Separate Option Contracts or as a Single Forward Contract." In codifying this legacy literature, the wording was modified and supplemented to conform to Codification style and simplify the requirements into a bulleted list in paragraphs 815-10-25-9A through 25-9B. However, this modification altered the guidance. This amendment modifies the codified wording to maintain the original intent of the guidance in Implementation Issue K3.

25. Amend paragraphs 815-10-25-9A through 25-9B, with no link to a transition paragraph, as follows:

## **Recognition**

### **> > > Combinations of Two Freestanding Options or a Freestanding and Embedded Option**

**815-10-25-9A** A combination of a freestanding purchased call (put) option and a freestanding or embedded (nontransferable) written put (call) option shall be considered for accounting purposes as separate option contracts, rather than a single forward contract, by both parties to the contracts if even though all of the following conditions are met:

- a. The options have the same terms.
- b. The options have the same underlying.
- c. The options are entered into contemporaneously with the same counterparty at inception.

**815-10-25-9B** Both a combination of a freestanding purchased call (put) option and a freestanding or embedded (nontransferable) written put (call) option and a combination of a freestanding written call (put) option and an embedded (nontransferable) purchased put (call) option shall be considered for accounting purposes as separate option contracts, rather than a single forward contract, by both parties to the contracts if even though all of the following conditions are met:

- a. The options have the same terms.
- b. The options have the same underlying.
- c. The options are entered into contemporaneously with different counterparties at inception.

26. The following amendment relates to the legacy literature on requirements for cash flow hedging formerly in paragraph 29 of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. A clarifying sentence for cash flow hedging requirements in paragraph 29 was omitted from the Codification, while a similar requirement was included for fair value hedging. The amendment below is drafted in a similar style to the similar requirement of fair value hedges that is included in the Codification, specifically in paragraph 815-20-25-12(f)(5).

27. Amend paragraph 815-20-25-15, with no link to a transition paragraph, as follows:

## **Derivatives and Hedging—Hedging—General**

### **Recognition**

#### **> > Hedged Transaction Criteria Applicable to Cash Flow Hedges Only**

**815-20-25-15** A forecasted transaction is eligible for designation as a hedged transaction in a cash flow hedge if all of the following additional criteria are met:

**[The beginning of the list in this paragraph is not included because it is unchanged.]**

- j. If the hedged transaction is the forecasted purchase or sale of a financial asset or liability (or the interest payments on that financial asset or liability) or the variable cash inflow or outflow of an existing

financial asset or liability, the designated risk being hedged is any of the following:

1. The risk of overall changes in the hedged cash flows related to the asset or liability, such as those relating to all changes in the purchase price or sales price (regardless of whether that price and the related cash flows are stated in the entity's functional currency or a foreign currency)
2. The risk of changes in its cash flows attributable to changes in the designated benchmark interest rate (referred to as interest rate risk)
3. The risk of changes in the functional-currency-equivalent cash flows attributable to changes in the related foreign currency exchange rates (referred to as foreign exchange risk)
4. The risk of changes in its cash flows attributable to all of the following (referred to as credit risk):
  - i. Default
  - ii. Changes in the obligor's creditworthiness
  - iii. Changes in the spread over the benchmark interest rate with respect to the related financial asset's or liability's credit sector at inception of the hedge.

If the risk designated as being hedged is not the risk in paragraph 815-20-25-15(j)(1), two or more of the other risks (interest rate risk, foreign exchange risk, and credit risk) simultaneously may be designated as being hedged.

- k. The item is not otherwise specifically ineligible for designation (see paragraph 815-20-25-43).

28. The following amendment codifies a sentence from the response section of Statement 133 Implementation Issue No. H8, "Foreign Currency Hedges: Measuring the Amount of Ineffectiveness in a Net Investment Hedge." The response to the first question on measuring the amount of ineffectiveness that must be recognized in earnings for a derivative instrument designated as a hedge of a new investment in foreign operation in Implementation Issue H8 applies to both receive-variable-rate, pay-variable-rate cross-currency interest rate swaps, addressed in paragraph 815-35-35-20, and receive-fixed-rate, pay-fixed-rate cross-currency interest rate swaps, addressed in paragraph 815-35-35-21. This sentence is currently only codified in paragraph 815-35-35-21(b); therefore, this amendment adds the relevant response to the additional paragraph.

29. Amend paragraph 815-35-35-20, with no link to a transition paragraph, as follows:

## Derivatives and Hedging—Net Investment Hedges

### Subsequent Measurement

**815-35-35-20** If a receive-variable-rate, pay-variable-rate cross-currency interest rate swap is designated as the hedging instrument in a net investment hedge, the amount of hedge ineffectiveness required to be recognized in earnings shall be measured by comparing the following two values:

- a. The change in fair value of the actual cross-currency interest rate swap designated as the hedging instrument
- b. The change in fair value of a hypothetical receive-variable-rate, pay-variable-rate cross-currency interest rate swap in which the interest rates are based on the same currencies contained in the hypothetical swap and both legs of the hypothetical swap have the same repricing intervals and dates. The hypothetical derivative instrument also shall have a maturity that matches the maturity of the actual cross-currency interest rate swap designated as the net investment hedge.

30. The following amendment codifies a sentence from paragraph 5 of the Background section of EITF Issue No. 07-5, “Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity’s Own Stock,” that noted that if the instrument is not indexed to the entity’s own stock (that is, failed the requirements in Issue 07-5), that instrument had to be classified as a liability or an asset. That sentence was not carried forward into the Codification, specifically into Subtopic 815-40, Derivative and Hedging—Contracts in Entity’s Own Equity. Without that sentence there are no classification requirements for instruments within the scope of Issue 07-5, but not within the scope of EITF Issue No. 00-19, “Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company’s Own Stock.”

31. Add paragraph 815-40-15-8A and its related heading, with a link to transition paragraph 105-10-65-2, as follows:

## Derivatives and Hedging—Contracts in Entity’s Own Equity

### Scope and Scope Exceptions

#### >> Instruments Classified as Liabilities or Assets

**815-40-15-8A** If the instrument does not meet the criteria to be considered indexed to an entity’s own stock as described in paragraphs 815-40-15-5 through 15-8, it shall be classified as a liability or an asset.

32. The following amendment makes the guidance in paragraph 815-40-55-42 consistent with the legacy literature in Example 16 of Issue 07-5. Currently, the guidance at the end of paragraph 815-40-55-42 applies only to paragraph 815-40-55-42(d). This is inconsistent with the legacy literature that referred to the particular terms in the contract that adjust for the four events identified in paragraph 815-40-55-42(a) through (d). This amendment corrects the inconsistency.

33. Amend paragraph 815-40-55-42, with no link to a transition paragraph, as follows:

## Implementation Guidance and Illustrations

### > > Example 17: Variability Involving Various Underlyings

**815-40-55-42** This Example illustrates the application of the guidance beginning in paragraph 815-40-15-5. Entity A enters into a forward contract to sell 100 shares of its common stock for \$10 per share in 1 year. Under the terms of the forward contract, the strike price of the forward contract would be adjusted to offset the resulting dilution (except for issuances and repurchases that occur upon settlement of outstanding option or forward contracts on equity shares) if Entity A does any of the following:

- a. Distributes a stock dividend or ordinary cash dividend
- b. Executes a stock split, spinoff, rights offering, or recapitalization through a large, nonrecurring cash dividend
- c. Issues shares for an amount below the then-current market price
- d. Repurchases shares for an amount above the then-current market price.

The contractual terms that adjust the forward contract's strike price are eliminating term in item (d) adjusts for the dilution to the forward contract counterparty resulting that would otherwise result from the occurrence of those specified dilutive events. The adjustment to the strike price of the forward contract is based on a mathematical calculation that determines the direct effect that the occurrence of such dilutive events should have on the price of the underlying shares; it does not adjust for the actual change in the market price of the underlying shares upon the occurrence of those events, which may increase or decrease for other reasons.

## Amendments to Subtopic 860-20

34. The following amendment incorporates the meaning of the guidance in the legacy literature. The original phrase from Question 68 of the FASB Special

Report, *A Guide to Implementation of Statement 140 on Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, was in quotations but the quotes were removed in the Codification, changing the literal meaning of the phrase. This amendment clarifies that the transferor does not necessarily have to write a check to reimburse the transferee for credit-related losses.

35. Amend paragraph 860-20-25-6, with no link to a transition paragraph, as follows:

## **Transfers and Servicing—Sales of Financial Assets**

### **Recognition**

#### **> Distinguishing New Interests Obtained from Part of a Beneficial Interest Obtained**

**860-20-25-6** In determining whether credit risk is a separate liability or part of a beneficial interest that has been obtained by the transferor, the transferor should focus on the source of cash flows in the event of a claim by the transferee. If the transferee can only look to cash flows from the underlying financial assets, the transferor has obtained a portion of the credit risk only through the interest it obtained and a separate obligation shall not be recognized. Credit losses from the underlying assets would affect the measurement of the interest that the transferor obtained. In contrast, if the transferor could be obligated for more than the cash flows provided by the interest it obtained and, therefore, could be required to ~~write a check to~~ reimburse the transferee for credit-related losses on the underlying assets, the transferor shall record a separate liability. It is not appropriate for the transferor to defer any portion of a resulting gain or loss (or to eliminate gain on sale accounting, as it is sometimes described in practice).

36. The following amendment incorporates the heading of Question 104 of the Special Report on the Implementation of Statement 140. The current heading is misleading because it implies that the guidance only applies to securitization transactions. The guidance has broader applicability, as evidenced by the examples in paragraph 860-20-55-32. The amendment to the heading and paragraph 860-20-55-32 appropriately broadens the scope of the guidance to remain consistent with the legacy literature.

37. Amend paragraph 860-20-55-32 and its related heading, with no link to a transition paragraph, as follows:

## Implementation Guidance and Illustrations

### > > **Financial Assets Subject to Prepayment**~~Subsequent Measurement of Interests Issued in Securitization Transactions~~

**860-20-55-32** The following is implementation guidance related to the subsequent measurement of various types of ~~beneficial interests issued in securitization transactions~~ financial assets subject to prepayment, specifically:

- a. Instruments that can be prepaid or otherwise settled in such a way that the holder would not recover substantially all of the recorded investment
- b. Loan that can be prepaid or otherwise settled in such a way that the holder would not recover substantially all of the recorded investment at initial acquisition
- c. Classification of a residual tranche in a securitization as held to maturity.

## Amendments to Subtopic 944-30

38. The following amendment incorporates the legacy literature in paragraphs 28 through 31 of FASB Statement No. 60, *Accounting and Reporting by Insurance Enterprises*. The guidance for acquisition costs applies to both short-duration and long-duration contracts. However, currently this guidance is only codified in paragraph 944-30-35-1A, which only applies to short-duration contracts. This amendment codifies the guidance for acquisition costs for long-duration contracts.

39. Add paragraph 944-30-35-3A, with no link to a transition paragraph, as follows:

## **Financial Services—Insurance—Acquisition Costs**

### **Subsequent Measurement**

#### **Long-Duration Contracts**

**944-30-35-3A** Acquisition costs capitalized under paragraphs 944-30-25-1A through 25-1B shall be charged to expense in proportion to premium revenue recognized under Subtopic 944-605.

## Amendments to Topic 946

40. The following amendment codifies the scope exception from paragraph 13 of the FSP AAG INV-1 and SOP 94-4-1, “Reporting of Fully Benefit-Responsive Investment Contracts Held by Certain Investment Companies Subject to the AICPA Investment Company Guide and Defined-Contribution Health and Welfare and Pension Plans,” that was omitted from the Codification.

41. Add paragraph 946-210-45-18A and its related heading, with no link to a transition paragraph, as follows:

### **Financial Services—Investment Companies—Balance Sheet**

#### **Other Presentation Matters**

##### **> > Scope Exception**

**946-210-45-18A** To be considered within the scope of paragraphs 946-210-45-15 through 45-18, any portion of the net assets of the investment company attributable to a particular plan investee that is not held in trust for the benefit of participants in a qualified employer-sponsored defined-contribution plan is not permitted to increase, except for reinvestment of income earned.

## Amendments to Subtopic 954-720

42. The following amendment incorporates the legacy literature in paragraph 8.16 of the 2008 AICPA Audit and Accounting Guide, *Health Care Organizations*, that specifies that the disclosure requirements in paragraph 954-720-50-1 only apply to health care entities insured under a retrospectively rated policy whose ultimate premium is based primarily on the experience of a group of health care entities.

43. Amend paragraph 954-720-50-1, with no link to a transition paragraph, as follows:

### **Health Care Entities—Other Expenses**

#### **Disclosure**

##### **> Retrospectively Rated Premiums**

**954-720-50-1** The A health care entity insured under a retrospectively rated policy whose ultimate premium is based primarily on the experience of a group of health care entities shall disclose both of the following:

- a. It is insured under a retrospectively rated policy.
- b. Premiums are accrued based on the ultimate cost of the experience to date of a group of entities.

## Amendments to Topic 958

44. The following amendment to paragraph 958-320-45-6 incorporates the guidance in FASB Statement No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. The amendment clarifies how not-for-profit organizations that are not permitted to use the amortized cost measurement when accounting for securities classified as held to maturity might classify the unrealized gains and losses on those securities.

45. Amend paragraph 958-320-45-6, with no link to a transition paragraph, as follows:

### **Not-for-Profit Entities—Investments—Debt and Equity Securities**

#### **Other Presentation Matters**

##### **> Presentation in a Statement of Activities with an Operating Measure**

**958-320-45-6** Some NFPs, primarily health care entities, would like to compare their results to business entities in the same industry. An NFP with those comparability concerns may report in a manner similar to business entities by ~~identifying~~classifying securities as available for sale or held to maturity as described in paragraphs 320-10-25-1 through 25-6 and excluding the unrealized gains and losses on those securities (which are recognized in accordance with Subtopic 958-320) from an operating measure within the statement of activities. ~~Not-for-profit~~Not-for-profit, business-oriented health care entities, however, entities are required to exclude certain gains and losses from a performance measure (see paragraph 954-320-45-1).

46. The following amendment incorporates the scope of the legacy literature of paragraph 10.01 of the AICPA Audit and Accounting Guide, *Not-for-Profit Entities*. The legacy literature applies to all not-for-profit entities, not just health care entities.

47. Amend paragraph 958-470-05-1, with no link to a transition paragraph, as follows:

## **Not-for-Profit Entities—Debt**

### **Overview and Background**

**958-470-05-1** This Subtopic provides guidance on accounting for debt for ~~health care entities~~ not-for-profit entities within the scope of this Topic.

48. The following amendment incorporates the guidance from FSP SOP 94-3-1 and AAG HCO-1, “Omnibus Changes to Consolidation and Equity Method Guidance for Not-for-Profit Organizations,” into the implementation guidance in paragraphs 958-810-55-3 through 55-4.

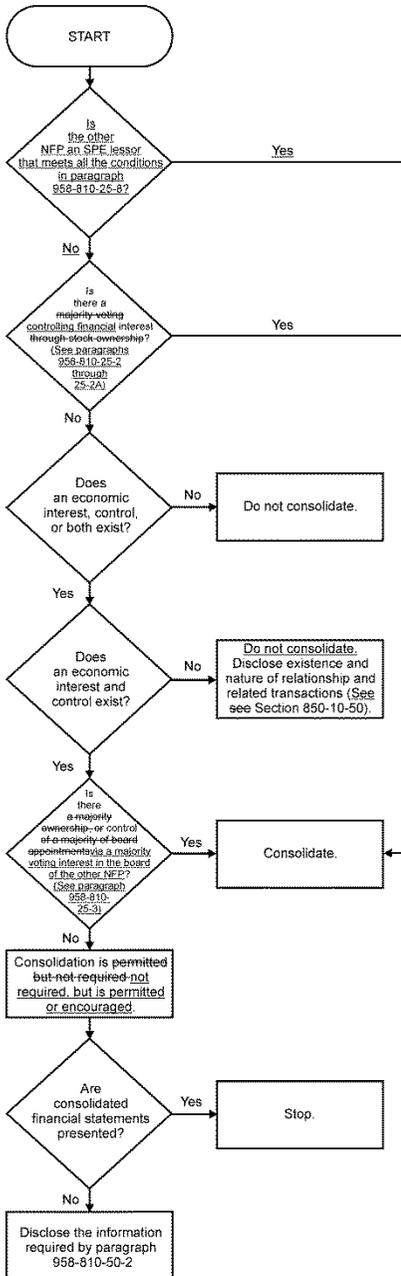
49. Amend paragraphs 958-810-55-3 through 55-4, with no link to a transition paragraph, as follows:

## **Not-for-Profit Entities—Consolidation**

### **Implementation Guidance and Illustrations**

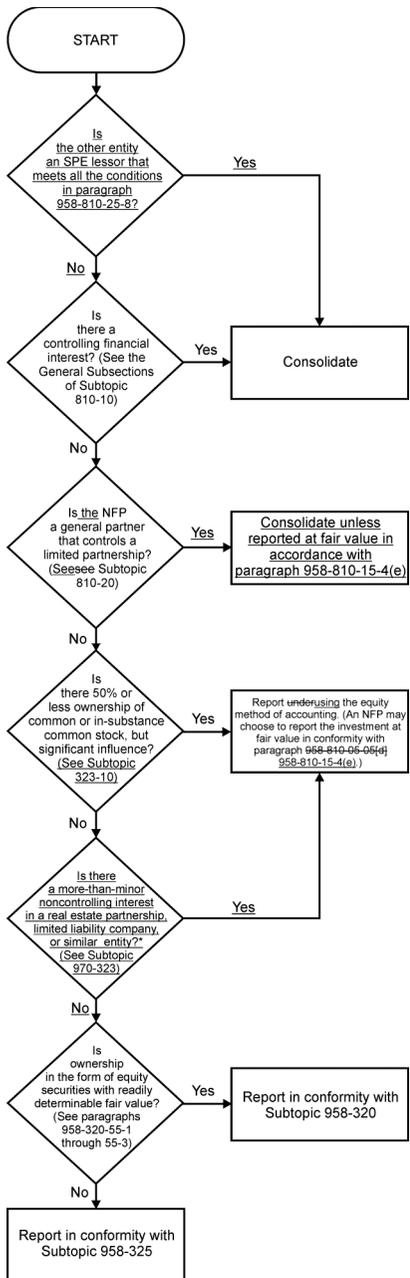
#### **> > Relationship with Another NFP**

**958-810-55-3** The following flowchart summarizes the guidance in Section 958-810-25.



**> > > Relationship with a For-Profit Entity**

**958-810-55-4** The following flowchart and related footnote indicate~~indicates~~ the order in which an NFP applies the guidance elsewhere in the Codification to determine the accounting for its relationship with a for-profit entity.



\*According to paragraph 323-30-35-3, a limited liability company that maintains a specific ownership account for each investor—similar to a partnership capital account structure—should be viewed as similar to an investment in a limited partnership for purposes of determining whether a noncontrolling investment in a limited liability company should be accounted for using the cost method or the equity method.

## Amendments to Topic 962

50. The following amendment adds wording from the legacy literature in paragraph 15 of the AICPA Statement of Position (SOP) 94-4, *Reporting of Investment Contracts Held by Health and Welfare Benefit Plans and Defined-Contribution Pension Plans*, that was omitted from the Codification.

51. Amend paragraph 962-205-45-3, with no link to a transition paragraph, as follows:

### **Plan Accounting—Defined Contribution Pension Plans— Presentation of Financial Statements**

#### **Other Presentation Matters**

**962-205-45-3** The amount representing the difference between net assets reflecting all investments at fair value and net assets available for benefits shall be presented on the face of the statement of net assets available for benefits as a single amount, calculated as the sum of the amounts necessary to adjust the portion of net assets attributable to each **fully benefit-responsive investment contract** from fair value to contract value.

52. The following amendment replicates the guidance currently in Topic 965, Plan Accounting—Health and Welfare Benefit Plans, that is also applicable to Topic 962, Plan Accounting—Defined Contribution Pension Plans. Paragraph 962-325-50-1 codified paragraph 10 of AICPA SOP 99-3, *Accounting for and Reporting of Certain Defined Contribution Plan Investments and Other Disclosure Matters*. SOP 99-3, when issued, referenced the additional disclosure requirements of paragraph 64 of AICPA SOP 92-6, *Accounting and Reporting by Health and Welfare Benefit Plans*. The requirements of paragraph 64 of SOP 92-6 were codified in paragraph 965-325-50-1. This amendment replicates the guidance in paragraph 965-325-50-1, as amended in paragraph 283 of this Update, to paragraph 962-325-50-1.

53. Amend paragraphs 962-325-45-7 and 962-325-50-1 and add paragraph 962-325-50-1A, with no link to a transition paragraph, as follows:

## Plan Accounting—Defined Contribution Pension Plans— Investments—Other

### Other Presentation Matters

**962-325-45-7** In addition to the requirement to identify those investments that represent 5 percent or more of net assets available for benefits (see paragraph ~~962-325-50-1A~~~~965-325-50-1~~), defined contribution plans shall specifically identify those investments that represent 5 percent or more of net assets available for benefits that are non-participant-directed.

### Disclosure

**962-325-50-1** Disclosure of a defined contribution plan's accounting policies shall include a description of the valuation techniques and inputs~~methods and significant assumptions~~ used to measure~~determine~~ the **fair value** less costs to sell, if significant, of investments (as required by Section 820-10-50) and a description of the methods and significant assumptions used to measure the reported value of insurance contracts (if any).

**962-325-50-1A** Financial statement disclosures also shall include the identification of investments that represent 5 percent or more of the **net assets available for benefits** as of the end of the year. Consideration should be given to disclosing provisions of insurance contracts included as plan assets that could cause an impairment of the asset value upon liquidation or other occurrence (for example, surrender charges and fair value adjustments).

### Guidance Clarification and/or Reference Corrections

54. These amendments provide clarification through updating wording, correcting references, or a combination of both. In most cases the feedback reviewed suggested that without these enhancements guidance may be misapplied or misinterpreted.

### Amendments to Topic 105

55. The following amendment updates the Overview and Background Section of Topic 105, Generally Accepted Accounting Principles, to reflect the adoption of the Codification in September 2009 by updating the verb tense to appropriately describe the current state of the Codification.

56. Amend paragraph 105-10-05-5, with no link to a transition paragraph, as follows:

## **Generally Accepted Accounting Principles—Overall**

### **Overview and Background**

~~105-10-05-5 As of the effective date in paragraph 105-10-65-1(a), the~~The FASB ~~does will~~ not consider Accounting Standards Updates as authoritative in their own right. Instead, new Accounting Standards Updates ~~will~~ serve only to update the Codification, provide background information about the guidance, and provide the bases for conclusions on the change(s) in the Codification. ~~Other than the standards listed in paragraph 105-10-65-1(d), all~~All nongrandfathered non-SEC accounting guidance not included in the Codification is superseded and deemed nonauthoritative.

### **Amendments to Topic 210**

57. The following amendment corrects the improper reference to Subtopics 715-30, Compensation—Retirement Benefits—Defined Benefit Plans—Pension, and 715-60, Compensation—Retirement Benefits—Defined Benefit Plans—Other Postretirement, in paragraphs 210-10-45-2 and 210-10-45-10. The amendment creates a reference to the guidance on classification of an asset representing the overfunded status of a plan that is referenced in the Other Presentation Matters Section of Subtopic 715-20, Compensation—Retirement Benefits—Defined Benefit Plans—General. The amendment is consistent with the legacy literature in ARB No. 43, Chapter 3A, “Working Capital—Current Assets and Current Liabilities,” that refers to FASB Statement No. 158, *Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans*, that has been codified in Subtopic 715-20.

58. Amend paragraphs 210-10-45-2 and 210-10-45-10, with no link to a transition paragraph, as follows:

## **Balance Sheet—Overall**

### **Other Presentation Matters**

**210-10-45-2** Prepaid expenses are not current assets in the sense that they will be converted into cash but in the sense that, if not paid in advance, they would require the use of current assets during the **operating cycle**. An asset representing the overfunded status of a single-employer defined benefit pension

or postretirement plan shall be classified pursuant to Section 715-20-45~~Subtopics 715-30 and 715-60.~~

**210-10-45-10** A liability representing the underfunded status of a single-employer defined benefit pension or postretirement plan shall be classified pursuant to Section 715-20-45~~Subtopics 715-30 and 715-60.~~

## Amendments to Subtopic 220-10

59. The following amendment clarifies the scope of Topic 220, Comprehensive Income, by recognizing certain scope exceptions. Paragraph 220-10-15-2 currently states that the guidance applies to all entities; while true, it may be misleading as there are certain scope exceptions outlined in a following paragraph. This correction provides additional wording that clarifies the scope.

60. Amend paragraph 220-10-15-2, with no link to a transition paragraph, as follows:

### **Comprehensive Income—Overall**

#### **Scope and Scope Exceptions**

##### **> Entities**

**220-10-15-2** Except as noted in the following paragraph, the~~The~~ guidance in the Comprehensive Income Topic applies to all entities, including:

- a. Entities that provide a full set of financial statements that report financial position, results of operations, and cash flows
- b. Investment companies, defined benefit pension plans, and other employee benefit plans that are exempt from the requirement to provide a statement of cash flows by paragraph 230-10-15-4.

**220-10-15-3** The guidance in this Topic does not apply to the following entities:

- a. An entity that has no items of **other comprehensive income** in any period presented. In such cases, the entity is not required to report other comprehensive income or **comprehensive income**. See paragraph 220-10-45-10A for items that are required to be reported as other comprehensive income.
- b. A not-for-profit entity (NFP) that is required to follow the provisions of Subtopic 958-205.

61. In the finalization of Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, a correction was identified. The first amendment clarifies that entities reporting comprehensive income in two separate statements are required to begin the second statement with net income. The second amendment clarifies that the total after subtracting the noncontrolling interest in the statement of comprehensive income discussed in the example in paragraph 220-10-55-12 is available to the controlling interest in the entity or shareholders of the entity, rather than to the entity itself. Additionally, similar illustrative examples are provided in paragraphs 810-10-55-4J through 55-4K and 810-10-55-4M (included as paragraphs 97 and 98 in this Update). These examples have also been appropriately amended.

62. Amend paragraphs 220-10-45-1B and 220-10-55-12, with no link to a transition paragraph, as follows:

## **Other Presentation Matters**

**220-10-45-1B** An entity reporting comprehensive income in two separate but consecutive statements shall present the following:

- a. Components of and the total for net income in the statement of net income
- b. Components of and the total for other comprehensive income as well as a total for comprehensive income in the statement of ~~other~~ comprehensive income, which shall be presented immediately after the statement of net income. A reporting entity ~~may~~shall begin the second statement with net income.

## **Implementation Guidance and Illustrations**

### **> > > Statement of Changes in Equity (Alternative 2)**

**220-10-55-12** The following table illustrates the statement of changes in equity for the year ended December 31, 201X, as discussed in paragraph 220-10-45-14.

**Entity XYZ**  
**Consolidated Statement of Changes in Equity**  
**Year Ended December 31, 201X**

Retained earnings	
Balance at January 1	\$ 70,800
Net income attributable to Entity XYZ <u>shareholders</u>	50,880
Dividends declared on common stock	<u>(10,000)</u>
Balance at December 31	<u>111,680</u>
Accumulated other comprehensive income	
Balance at January 1	18,400
Other comprehensive income	<u>13,600</u>
Balance at December 31	<u>32,000</u>
Common stock	
Balance at January 1	150,000
Shares issued	<u>50,000</u>
Balance at December 31	<u>200,000</u>
Paid-in capital	
Balance at January 1	300,000
Common stock issued	<u>100,000</u>
Balance at December 31	<u>400,000</u>
Total Entity XYZ Shareholders' Equity	<u>743,680</u>
Noncontrolling interest	
Balance at January 1	22,300
Net income attributable to noncontrolling interest	12,720
OCI attributable to noncontrolling interest	<u>3,400</u>
Balance at December 31	<u>38,420</u>
Total equity	<u>\$ 782,100</u>

## Amendments to Subtopic 250-10

63. The following amendment narrows the scope exception for disclosure requirements to be consistent with that originally provided in legacy literature. Specifically, paragraph 20 of FASB Statement No. 157, *Fair Value Measurements*, provided disclosure relief with a scope exception for certain disclosures normally required for certain changes in accounting estimates. This disclosure relief was limited to changes in fair value valuation techniques and was not provided for other valuation techniques. The amendment to paragraph 250-10-50-5 clarifies the scope exception to be consistent with the legacy literature.

64. Amend paragraph 250-10-50-5, with no link to a transition paragraph, as follows:

### Accounting Changes and Error Corrections—Overall

#### Disclosure

##### > > > Change in Estimate Used in Valuation Technique

**250-10-50-5** The disclosure provisions of this Subtopic for a **change in accounting estimate** are not required for revisions resulting from a change in a valuation technique used to measure fair value or its application when the resulting measurement is fair value in accordance with Topic 820.

## Amendments to Subtopic 320-10

65. The following amendment makes a conforming wording correction to make language consistent throughout paragraph 320-10-25-5(a).

66. Amend paragraph 320-10-25-5, with no link to a transition paragraph, as follows:

### Investments—Debt and Equity Securities—Overall

#### Recognition

**320-10-25-5** Specific scenarios in which a debt security shall not be classified as held-to-maturity (or where sale or transfer of a held-to-maturity security will call into question an investor's stated intent to hold other debt securities to maturity in the future) are as follows:

- a. A security shall not be classified as held-to-maturity if that security can contractually be prepaid or otherwise settled in such a way that the holder of the security would not recover substantially all of its recorded investment. The justification for using historical-cost-based measurement for debt securities classified as held-to-maturity is that no matter how market interest rates fluctuate, the holder will recover its recorded investment and thus realize no gains or losses when the issuer pays the amount promised at maturity. However, that justification does not extend to receivables purchased at a substantial premium over the amount at which they can be prepaid, and it does not apply to instruments whose payments derive from prepayable receivables but have no principal balance. Therefore, a callable debt security purchased at a significant premium might be precluded from held-to-maturity classification under paragraph 860-20-35-2 if it can be prepaid or otherwise settled in such a way that the holder of the security would not recover substantially all of its recorded investment. In addition, a mortgage-backed interest-only certificate shall not be classified as held-to-maturity. Paragraphs 860-20-35-3 through 35-6 provide further guidance on application of this paragraph. Note that a debt security that is purchased late enough in its life such that, even if it was prepaid, the holder would recover substantially all of its recorded investment, could be initially classified as held-to-maturity if the conditions of this paragraph and paragraph 320-10-25-1 are met. (A debt security that can contractually be prepaid or otherwise settled in such a way that the holder of the security would not recover substantially all of its recorded investment may contain an embedded derivative. Therefore, such a security should be evaluated in accordance with Subtopic 815-15 to determine whether it contains an embedded derivative that needs to be accounted for separately.)

**[The remainder of this paragraph is not included because it is unchanged.]**

## Amendments to Subtopic 323-10

67. The following amendment clarifies the intent of paragraph 323-10-15-4(b)(1) through (2). The intent is to exclude common-stock investments that are accounted for at fair value in accordance with other industry-specific guidance. The amendment serves to clarify this intent by referring directly to investments that are accounted for in accordance with the investment-company-specific guidance, as opposed to describing certain entities that are within the scope of investment company guidance. This amendment also improves the consistency throughout the Codification by using language similar to the language found within paragraph 810-10-15-12 that excludes investments held by investment companies from the consolidations guidance.

68. Amend paragraph 323-10-15-4, with no link to a transition paragraph, as follows:

## **Investments—Equity Method and Joint Ventures—Overall**

### **Scope and Scope Exceptions**

**323-10-15-4** The guidance in this Topic does not apply to any of the following:

- a. An investment accounted for in accordance with Subtopic 815-10
- b. An investment in common stock held by a nonbusiness entity, such as an estate, trust, or individual ~~any of the following entities:~~
  1. ~~Subparagraph superseded by Accounting Standards Update 2012-04. An investment company registered under the Investment Company Act of 1940~~
  2. ~~Subparagraph superseded by Accounting Standards Update 2012-04. An investment company that would be included under the Investment Company Act of 1940 (including a small business investment company) except that the number of stockholders is limited and the securities are not offered publicly~~
  3. ~~Subparagraph superseded by Accounting Standards Update 2012-04. A nonbusiness entity, such as an estate, trust, or individual.~~
- c. An investment in common stock within the scope of Topic ~~810~~ 810
- d. An investment in common stock accounted for at fair value in accordance with the specialized accounting guidance in Topic 946.

## **Amendments to Subtopic 325-40**

69. The following amendment is an editorial clarification of the guidance in paragraph 325-40-15-5.

70. Amend paragraph 325-40-15-5, with no link to a transition paragraph, as follows:

## **Investments—Other—Beneficial Interests in Securitized Financial Assets**

### **Scope and Scope Exceptions**

**> > Securitized Financial Assets in Equity Form**

**325-40-15-5** A beneficial interest in securitized financial assets that is in equity form may meet the definition of a **debt security**. ~~That paragraph explains that,~~ For example, some beneficial interests issued in the form of equity represent solely a right to receive a stream of future cash flows to be collected under preset terms and conditions (that is, a creditor relationship), while others, according to the terms of the special-purpose entity, must be redeemed by the issuing entity or must be redeemable at the option of the investor. Consequently, those beneficial interests would be within the scope of both this Subtopic and Topic 320 because they are required to be accounted for as debt securities under that Topic.

## Amendments to Subtopic 330-10

71. The following amendment adds a reference in Topic 330, Inventory (paragraph 330-10-50-1), to additional applicable guidance within Topic 210, Balance Sheet (paragraph 210-10-50-1), that specifically discusses inventory but also includes concepts related to current assets. The original guidance was adapted from paragraph 9 of ARB No. 43, Chapter 3A, "Working Capital—Current Assets and Current Liabilities."

72. Amend paragraph 330-10-50-1, with no link to a transition paragraph, as follows:

### **Inventory—Overall**

#### **Disclosure**

##### **> Basis for Stating Inventories**

**330-10-50-1** The basis of stating inventories shall be consistently applied and shall be disclosed in the financial statements; whenever a significant change is made therein, there shall be disclosure of the nature of the change and, if material, the effect on income. A change of such basis may have an important effect upon the interpretation of the financial statements both before and after that change, and hence, in the event of a change, a full disclosure of its nature and of its effect, if material, upon income shall be made. See paragraph 210-10-50-1.

## Amendments to Subtopic 405-20

73. The following amendments correct paragraphs 405-20-55-2(c) and 405-20-55-4(e) to reflect consequential amendments that should have been incorporated into Accounting Standards Update No. 2009-16, *Transfers and Servicing (Topic*

860): *Accounting for Transfers of Financial Assets*. Update 2009-16 superseded the guidance for derecognizing a liability if an entity transfers noncash financial assets to a qualifying special-purpose entity.

74. Amend paragraphs 405-20-55-2 and 405-20-55-4, with no link to a transition paragraph, as follows:

## **Liabilities—Extinguishments of Liabilities**

### **Implementation Guidance and Illustrations**

#### **> > Application of Liability Extinguishment Criteria**

**405-20-55-2** The following provides guidance on the application of the liability extinguishment criteria, specifically related to the following:

- a. In-substance defeasance transactions
- b. Transfers of noncash financial assets in settlement of a creditor's receivable
- c. Subparagraph superseded by Accounting Standards Update 2012-04, Transfers of noncash financial assets to a qualifying special purpose entity
- d. Extinguishment via legal defeasance.

#### **> > > In-Substance Defeasance Transactions**

**405-20-55-3** In an in-substance defeasance transaction, a debtor transfers essentially risk-free assets to an irrevocable defeasance trust and the cash flows from those assets approximate the scheduled interest and principal payments of the debt being extinguished.

**405-20-55-4** Under the financial-components approach, an in-substance defeasance transaction does not meet the derecognition criteria for either the liability or the asset. The transaction lacks the following critical characteristics:

- a. The debtor is not released from the debt by putting assets in the trust; if the assets in the trust prove insufficient, for example, because a default by the debtor accelerates its debt, the debtor must make up the difference.
- b. The lender is not limited to the cash flows from the assets in trust.
- c. The lender does not have the ability to dispose of the assets at will or to terminate the trust.

- d. If the assets in the trust exceed what is necessary to meet scheduled principal and interest payments, the transferor can remove the assets.
- e. ~~Subparagraph superseded by Accounting Standards Update 2012-04. Neither the lender nor any of its representatives is a contractual party to establishing the defeasance trust, as holders of interests in a qualifying special purpose entity or their representatives would be.~~
- f. The debtor does not surrender control of the benefits of the assets because those assets are still being used for the debtor's benefit, to extinguish its debt, and because no asset can be an asset of more than one entity, those benefits must still be the debtor's assets.

## Amendments to Subtopic 410-30

75. This change relates to the amendment in paragraph B23 of FASB Statement No. 165, *Subsequent Events*, that only included a consequential amendment for paragraph 105 of AICPA SOP 96-1, *Environmental Remediation Liabilities*, rather than for both paragraphs 105 and 108 of SOP 96-1. SOP 96-1 was codified into Subtopic 410-30, Asset Retirement and Environmental Obligations—Environmental Obligations. Paragraph 108 of SOP 96-1 was specifically codified into paragraph 410-30-25-4 and should also have been amended by Statement 165. This amendment to paragraph 410-30-25-4 clarifies that the amendment in Statement 165 was also meant to apply to paragraph 410-30-25-4.

76. Amend paragraph 410-30-25-4 and its related heading, with no link to a transition paragraph, as follows:

### **Asset Retirement and Environmental Obligations— Environmental Obligations**

#### **Recognition**

##### **> Probability ~~that~~That a Liability Has Been Incurred**

**410-30-25-4** In the context of environmental remediation liabilities, the probability criterion in paragraph 450-20-25-2 consists of two elements; the criterion is met if both of the following elements are met on or before the date the financial statements are issued or are available to be issued (as discussed in Section 855-10-25):

- a. Litigation has commenced or a claim or an assessment has been asserted, or, based on available information, commencement of litigation or assertion of a claim or an assessment is probable. In other words, it has been asserted (or it is probable that it will be asserted) that

- the entity is responsible for participating in a remediation process because of a past event.
- b. Based on available information, it is probable that the outcome of such litigation, claim, or assessment will be unfavorable. In other words, an entity will be held responsible for participating in a remediation process because of the past event.

## Amendments to Topic 460

77. The following amendment clarifies the scope exception in paragraph 460-10-15-7(i) by incorporating into paragraph 460-10-55-18(c) the next to last sentence of the legacy literature in paragraph A23 of FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. This amendment further clarifies that in consolidated financial statements, a parent's guarantee of a subsidiary's debt to a third party is not a guarantee within the scope of Topic 460, Guarantees.

78. Amend paragraph 460-10-55-18, with no link to a transition paragraph, as follows:

### Guarantees—Overall

#### Implementation Guidance and Illustrations

##### >>> Guarantees of an Entity's Own Performance

**460-10-55-18** The following are examples of contracts that are outside the scope of this Topic because these contracts are of the type described in paragraph 460-10-15-7(i):

- a. A lessee will often indemnify a lessor for any adverse tax consequences that may arise from acts, omissions, and misrepresentations of the lessee (for example, using the leased asset outside the United States or subleasing to a tax-exempt entity). The lessee is, in effect, guaranteeing that its own future performance and actions with respect to the lease and the leased property will not result in adverse tax consequences to the lessor. Thus, that lessee's indemnification is not within the scope of this Topic. In contrast, as discussed in paragraph 460-10-55-13(b), a guarantee by a lessee regarding the effect of future changes in the tax law on the guaranteed party's tax liability is within the scope of this Topic because the lessee cannot change the tax law (or prevent a change) and thus cannot control whether payments will be required under the guarantee.

- b. An entity's guarantee of its own future performance, such as that entity's completion of a contract by a specified deadline is not within the scope of this Topic.
- c. In consolidated financial statements, a parent's guarantee of a subsidiary's debt to a third party would simply be a guarantee of the consolidated entity's own performance to make the scheduled payments on that consolidated liability, which is not a guarantee within the scope of this Topic for the consolidated reporting entity.

79. The following amendment supersedes paragraph 460-10-60-28 because that paragraph references content that was not incorporated in the Codification. That content was ultimately deemed to not be necessary.

80. Supersede paragraph 460-10-60-28, with no link to a transition paragraph, as follows:

## Relationships

~~460-10-60-28 Paragraph superseded by Accounting Standards Update 2012-04. For classification of a lease that contains a guarantee by the lessee of the construction debt, see paragraphs 840-40-25-6 through 25-7.~~

81. The following amendment supersedes paragraph 460-10-60-34 because that paragraph references content that was superseded by Accounting Standards Update No. 2009-16, *Transfers and Servicing (Topic 860): Accounting for Transfers of Financial Assets*.

82. Supersede paragraph 460-10-60-34, with no link to a transition paragraph, as follows:

### > Transfers and Servicing

~~460-10-60-34 Paragraph superseded by Accounting Standards Update 2012-04. For a transfer of the servicer's financial assets to a qualifying special purpose entity in a guaranteed mortgage securitization, see Subtopic 860-50.~~

## Amendments to Topic 470

83. The first amendment to paragraph 470-10-45-14 replaces the improper reference to the unused paragraph 470-10-05-7 with a reference to paragraph 470-10-45-12B that contains guidance for refinancing a short-term obligation on a long-term basis. The second amendment to paragraph 470-10-45-14(b)(1) and paragraphs 470-10-45-10, 470-10-45-19, and 470-10-45-21 replaces the

improper reference to the unused paragraph 470-10-05-7 and links the first use of the term *operating cycle* to the Master Glossary. These amendments are consistent with the legacy literature in FASB Statement No. 6, *Classification of Short-Term Obligations Expected to Be Refinanced*.

84. Amend paragraphs 470-10-45-10, 470-10-45-14, 470-10-45-19, and 470-10-45-21, with no link to a transition paragraph, as follows:

## Debt—Overall

### Other Presentation Matters

**470-10-45-10** The current liability classification shall include obligations that, by their terms, are due on demand or will be due on demand within one year (or **{add glossary link}**operating cycle**{add glossary link}**, if longer) from the balance sheet date, even though liquidation may not be expected within that period. The demand provision is not a subjective acceleration clause as discussed in paragraph 470-10-45-2.

#### > Intent and Ability to Refinance on a Long-Term Basis

**470-10-45-14** A short-term obligation shall be excluded from current liabilities if the entity intends to refinance the obligation on a long-term basis (see paragraph ~~470-10-45-12B~~~~470-10-05-7~~) and the intent to refinance the short-term obligation on a long-term basis is supported by an ability to consummate the refinancing demonstrated in either of the following ways:

- a. Post-balance-sheet-date issuance of a long-term obligation or equity securities. After the date of an entity's balance sheet but before that balance sheet is issued or is available to be issued (as discussed in Section 855-10-25), a long-term obligation or equity securities have been issued for the purpose of refinancing the short-term obligation on a long-term basis. If equity securities have been issued, the short-term obligation, although excluded from current liabilities, shall not be included in owners' equity.
- b. Financing agreement. Before the balance sheet is issued or is available to be issued (as discussed in Section 855-10-25), the entity has entered into a financing agreement that clearly permits the entity to refinance the short-term obligation on a long-term basis on terms that are readily determinable, and all of the following conditions are met:
  1. The agreement does not expire within one year (or operating cycle—~~see paragraph 470-10-05-7~~) from the date of the entity's balance sheet and during that period the agreement is not cancelable by the lender or the prospective lender or investor (and

obligations incurred under the agreement are not callable during that period) except for violation of a provision with which compliance is objectively determinable or measurable. For purposes of this Subtopic, violation of a provision means failure to meet a condition set forth in the agreement or breach or violation of a provision such as a restrictive covenant, representation, or warranty, whether or not a grace period is allowed or the lender is required to give notice. Financing agreements cancelable for violation of a provision that can be evaluated differently by the parties to the agreement (such as a material adverse change or failure to maintain satisfactory operations) do not comply with this condition.

2. No violation of any provision in the financing agreement exists at the balance sheet date and no available information indicates that a violation has occurred thereafter but before the balance sheet is issued or is available to be issued (as discussed in Section 855-10-25), or, if one exists at the balance sheet date or has occurred thereafter, a waiver has been obtained.
3. The lender or the prospective lender or investor with which the entity has entered into the financing agreement is expected to be financially capable of honoring the agreement.

**470-10-45-19** Further, if amounts that could be obtained under the financing agreement fluctuate (for example, in relation to the entity's needs, in proportion to the value of collateral, or in accordance with other terms of the agreement), the amount to be excluded from current liabilities shall be limited to a reasonable estimate of the minimum amount expected to be available at any date from the scheduled maturity of the short-term obligation to the end of the fiscal year (or operating cycle—~~see paragraph 470-10-05-7~~). If no reasonable estimate can be made, the entire outstanding short-term obligation shall be included in current liabilities.

#### **> Transactions after the Balance Sheet Date**

**470-10-45-21** Replacement of a short-term obligation with another short-term obligation after the date of the balance sheet but before the balance sheet is issued or is available to be issued (as discussed in Section 855-10-25) is not, by itself, sufficient to demonstrate an entity's ability to refinance the short-term obligation on a long-term basis. If, for example, the replacement is made under the terms of a revolving credit agreement that provides for renewal or extension of the short-term obligation for an uninterrupted period extending beyond one year (or operating cycle—~~see paragraph 470-10-05-7~~) from the date of the balance sheet, the revolving credit agreement must meet the conditions in paragraph 470-10-45-14(b) to justify excluding the short-term obligation from current liabilities. Similarly, if the replacement is a rollover of commercial paper

accompanied by a standby credit agreement, the standby agreement must meet the conditions in that paragraph to justify excluding the short-term obligation from current liabilities.

85. The following amendment corrects the improper codification of the legacy literature in paragraphs 13–15 of EITF Issue No. 00-27, “Application of Issue No. 98-5 to Certain Convertible Instruments,” in paragraph 470-20-35-4. The original paragraph 470-20-35-4 was drafted in a manner that incorrectly reflected the intent of the EITF consensus guidance such that additional language is necessary.

86. Amend paragraph 470-20-35-4, with no link to a transition paragraph, as follows:

## **Debt—Debt with Conversion and Other Options**

### **Subsequent Measurement**

**470-20-35-4** A contingent conversion feature that will reduce (reset) the conversion price if the **fair value** of the underlying stock declines after the commitment date to or below a specified price is a beneficial conversion option if that specified price is below the fair value of the underlying stock at the commitment date. This is the case even if both of the following conditions exist:

- a. The initial active conversion price is equal to or greater than the fair value of the underlying stock at the commitment date.
- b. The contingent conversion price is greater than the then fair value of the underlying stock at the future date that triggers the adjustment to the conversion price.

A beneficial conversion amount shall be recognized for such for a beneficial conversion option when the reset occurs.

87. The following amendment corrects the improper cross-reference in paragraph 470-20-45-3 to the correct cash conversion reference contained in paragraphs 470-20-35-12 through 35-16 that provide guidance for the subsequent measurement of the liability component.

88. Amend paragraph 470-20-45-3, with no link to a transition paragraph, as follows:

## Other Presentation Matters

### > Balance Sheet Classification of Liability Component

**470-20-45-3** The guidance in the Cash Conversion Subsections does not affect an issuer's determination of whether the liability component should be classified as a current liability or a long-term liability. For purposes of applying other applicable U.S. GAAP to make that determination, all terms of the convertible debt instrument (including the equity component) shall be considered. Additionally, the balance sheet classification of the liability component does not affect the measurement of that component under paragraphs 470-20-35-12470-20-35-4 through 35-16470-20-35-4.

## Amendments to Subtopic 715-20

89. The following amendment clarifies that the content in paragraphs 715-20-50-2 through 50-4 is applicable to all employers with two or more plans, not just public entities. This amendment is consistent with the legacy literature in paragraphs 6 through 7 of FASB Statement No. 132 (revised 2003), *Employers' Disclosures about Pensions and Other Postretirement Benefits*.

90. Add heading before paragraph 715-20-50-2, with no link to a transition paragraph, as follows:

### **Compensation—Retirement Benefits—Defined Benefit Plans—General**

#### **Disclosure**

##### **> Entities (Public and Nonpublic) with Two or More Plans**

**715-20-50-2** The disclosures required by this Subtopic shall be aggregated for all of an employer's defined benefit pension plans and for all of an employer's other defined benefit postretirement plans unless disaggregating in groups is considered to provide useful information or is otherwise required by the following paragraph and paragraph 715-20-50-4.

**715-20-50-3** Disclosures about pension plans with assets in excess of the accumulated benefit obligation generally may be aggregated with disclosures about pension plans with accumulated benefit obligations in excess of assets. The same aggregation is permitted for other postretirement benefit plans. If aggregate disclosures are presented, an employer shall disclose both of the following:

- a. The aggregate benefit obligation and aggregate fair value of plan assets for plans with benefit obligations in excess of plan assets as of the measurement date of each statement of financial position presented
- b. The aggregate pension accumulated benefit obligation and aggregate fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets.

**715-20-50-4** A U.S. reporting entity may combine disclosures about pension plans or other postretirement benefit plans outside the United States with those for U.S. plans unless the benefit obligations of the plans outside the United States are significant relative to the total benefit obligation and those plans use significantly different assumptions. A foreign reporting entity that prepares financial statements in conformity with U.S. generally accepted accounting principles (GAAP) shall apply the preceding guidance to its domestic and foreign plans.

## Amendments to Subtopic 718-10

91. The following amendment deletes the guidance in paragraph 718-10-25-1(e) because that guidance is not currently in Section 718-10-25, Compensation—Stock Compensation—Overall—Recognition; rather, it is included in paragraph 718-10-15-4. Additionally, this amendment creates a link to the Master Glossary for *related parties* because the first linked use of the term is in superseded paragraph 718-10-25-1(e).

92. Amend paragraphs 718-10-25-1 and 718-10-25-17, with no link to a transition paragraph, as follows:

### **Compensation—Stock Compensation—Overall**

#### **Recognition**

**718-10-25-1** The guidance in this Section is organized as follows:

- a. Recognition principle for **share-based payment transactions**
- b. Determining the **grant date**
- c. Determining whether to classify a financial instrument as a liability or as equity
- d. **Market, performance, and service conditions**

- e. ~~Subparagraph superseded by Accounting Standards Update 2012-04. Certain transactions with related parties and other economic interest holders~~
- f. Payroll taxes.

**718-10-25-17** A broker that is a {add glossary link}related party{add glossary link} of the entity must sell the shares in the open market within a normal settlement period, which generally is three days, for the award to qualify as equity.

## Amendments to Subtopic 720-35

93. The following amendment clarifies that the illustrative example in paragraph 720-35-55-1 is meant to disclose the total amount charged to advertising expense for each income statement presented, rather than at a certain point in time, as suggested by the current wording.

94. Amend paragraph 720-35-55-1, with no link to a transition paragraph, as follows:

### Other Expenses—Advertising Costs

#### Implementation Guidance and Illustrations

##### > Illustrations

##### >> Example 1: Disclosure Illustration

**720-35-55-1** This Example illustrates the guidance provided in paragraph 720-35-50-1.

Note X. Advertising

The Entity expenses the production costs of advertising the first time the advertising takes place. ~~At~~For the year ended December 31, ~~19XX~~20XX, advertising expense was \$10,000,000.

## Amendments to Subtopic 730-10

95. This is an editorial amendment to conform the wording to make paragraph 730-10-55-1(j) consistent with the lead-in sentence and preceding list that is a list of research and development activities, rather than a resulting item of the

research or development process. Item j in the list in paragraph 730-10-55-1 comes from paragraph 50 of FASB Statement No. 86, *Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed*, that was added to the other activities originally contained in FASB Statement No. 2, *Accounting for Research and Development Costs*.

96. Amend paragraph 730-10-55-1, with no link to a transition paragraph, as follows:

## **Research and Development—Overall**

### **Implementation Guidance and Illustrations**

#### **> Implementation Guidance**

#### **> > Examples of Activities Typically Included in Research and Development**

**730-10-55-1** The following activities typically would be considered **research and development** within the scope of this Topic (unless conducted for others under a contractual arrangement—see paragraph 730-10-15-4[a]):

- a. Laboratory research aimed at discovery of new knowledge
- b. Searching for applications of new research findings or other knowledge
- c. Conceptual formulation and design of possible product or process alternatives
- d. Testing in search for or evaluation of product or process alternatives
- e. Modification of the formulation or design of a product or process
- f. Design, construction, and testing of preproduction prototypes and models
- g. Design of tools, jigs, molds, and dies involving new technology
- h. Design, construction, and operation of a pilot plant that is not of a scale economically feasible to the entity for commercial production
- i. Engineering activity required to advance the design of a product to the point that it meets specific functional and economic requirements and is ready for manufacture
- j. ~~Tools~~ Design and development of tools used to facilitate research and development or components of a product or process that are undergoing research and development activities.

### **Amendments to Subtopic 810-10**

97. The following amendments update the implementation guidance in paragraphs 810-10-55-4J through 55-4K and 810-10-55-4M to reflect the

changes to Section 220-10-55. These amendments clarify that the total after subtracting the noncontrolling interest in the statement of comprehensive income discussed in the Examples in paragraphs 810-10-55-4J through 55-4K and 810-10-55-4M is available to the controlling interest in the entity or shareholders of the entity, rather than to the entity.

98. Amend paragraphs 810-10-55-4J through 55-4K and 810-10-55-4M, with no link to a transition paragraph, as follows:

## Consolidation—Overall

### Implementation Guidance and Illustrations

**810-10-55-4J** This consolidated statement of income illustrates the requirements in paragraph 810-10-50-1A that the amounts of consolidated net income and the net income attributable to Entity ABC and the noncontrolling interest be presented separately on the face of the consolidated income statement. It also illustrates the requirement in paragraph 810-10-50-1A(b) that the amounts of income from continuing operations and discontinued operations attributable to Entity ABC should be disclosed.

<b>Entity ABC</b>			
<b>Consolidated Statement of Income</b>			
<b>Year Ended December 31</b>			
	<b>20X3</b>	<b>20X2</b>	<b>20X1</b>
Revenues	\$ 395,000	\$ 360,000	\$ 320,000
Expenses	(330,000)	(305,000)	(270,000)
Income from continuing operations, before tax	65,000	55,000	50,000
Income tax expense	(26,000)	(22,000)	(20,000)
Income from continuing operations, net of tax	39,000	33,000	30,000
Discontinued operations, net of tax	—	(7,000)	—
Net income	39,000	26,000	30,000
Less: Net income attributable to the noncontrolling interest	(1,500)	(4,000)	—
Net income attributable to Entity ABC <u>shareholders</u>	\$ 37,500	\$ 22,000	\$ 30,000
<b>Earnings per share—basic and diluted:</b>			
Income from continuing operations attributable to Entity ABC common shareholders	\$ 0.19	\$ 0.14	\$ 0.15
Discontinued operations attributable to Entity ABC common shareholders	—	(0.03)	—
Net income attributable to Entity ABC common shareholders	\$ 0.19	\$ 0.11	\$ 0.15
Weighted-average shares outstanding, basic and diluted	200,000	200,000	200,000
<b>Amounts attributable to Entity ABC <del>common</del> shareholders:</b>			
Income from continuing operations, net of tax	\$ 37,500	\$ 27,600	\$ 30,000
Discontinued operations, net of tax	—	(5,600)	—
Net income <u>attributable to Entity ABC shareholders</u>	\$ 37,500	\$ 22,000	\$ 30,000

**810-10-55-4K** This statement of consolidated comprehensive income illustrates the requirements in paragraph 810-10-50-1A(a) that the amounts of consolidated comprehensive income and comprehensive income attributable to Entity ABC and the noncontrolling interest be presented separately on the face of the consolidated statement in which comprehensive income is presented.

<b>Entity ABC</b>			
<b>Statement of Consolidated Comprehensive Income</b>			
<b>Year Ended December 31</b>			
	<u>20X3</u>	<u>20X2</u>	<u>20X1</u>
Net income	\$ 39,000	\$ 26,000	\$ 30,000
Other comprehensive income, net of tax:			
Unrealized holding gain on available-for-sale securities, net of tax	5,000	15,000	5,000
Total other comprehensive income, net of tax	5,000	15,000	5,000
Comprehensive income	44,000	41,000	35,000
Comprehensive income attributable to the noncontrolling interest	(2,000)	(7,000)	—
Comprehensive income attributable to Entity ABC shareholders	<u>\$ 42,000</u>	<u>\$ 34,000</u>	<u>\$ 35,000</u>

**> > Additional Disclosure If a Parent's Ownership Interest in a Subsidiary Changes during the Period**

**810-10-55-4M** This schedule illustrates the requirements in paragraph 810-10-50-1A(d) that Entity ABC present in notes to the consolidated financial statements a separate schedule that shows the effects of changes in Entity ABC's ownership interest in its subsidiary on Entity ABC's equity. This schedule is only required if the parent's ownership interest in a subsidiary changes in any periods presented in the consolidated financial statements.

**Entity ABC**  
**Notes to Consolidated Financial Statements**  
**Net Income Attributable to Entity ABC and**  
**Transfers (to) from the Noncontrolling Interest**  
**Year Ended December 31**

*The purpose of this schedule is to disclose the effects of changes in Entity ABC's ownership interest in its subsidiary on Entity ABC's equity.*

	<u>20X3</u>	<u>20X2</u>	<u>20X1</u>
Net income attributable to Entity ABC shareholders	\$ 37,500	\$ 22,000	\$ 30,000
Transfers (to) from the noncontrolling interest			
Increase in Entity ABC's paid-in capital for sale of 2,000 Subsidiary A common shares	—	10,000	—
Decrease in Entity ABC's paid-in capital for purchase of 1,000 Subsidiary A common shares	(8,000)	—	—
Net transfers (to) from noncontrolling interest	(8,000)	10,000	—
Change from net income attributable to Entity ABC shareholders and transfers (to) from noncontrolling interest	<u>\$ 29,500</u>	<u>\$ 32,000</u>	<u>\$ 30,000</u>

## Amendments to Topic 815

99. The following amendment reflects the references in the legacy literature for paragraph 815-10-15-1, formerly paragraph 5 of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The legacy literature referenced paragraph 43 of Statement 133 that was codified in two paragraphs, specifically 815-10-35-3 and 815-25-35-19. Currently paragraph 815-10-15-1 only references one paragraph, 815-10-35-3. This amendment adds the reference to paragraph 815-25-35-19.

100. Amend paragraph 815-10-15-1, with no link to a transition paragraph, as follows:

### Derivatives and Hedging—Overall

#### Scope and Scope Exceptions

##### > Entities

**815-10-15-1** This Subtopic applies to all entities. Some entities, such as not-for-profit entities (NFPs) and defined benefit pension plans, do not report earnings as a separate caption in a statement of financial performance. The application of this Subtopic to those entities is set forth in paragraphs paragraph 815-10-35-3 and 815-25-35-19.

101. The following amendment supersedes paragraph 815-10-55-22(e) that references loan commitment types, which are not addressed in Subtopic 815-10, Derivatives and Hedging—Overall, because the referenced guidance was not incorporated into the Codification.

102. Amend paragraph 815-10-55-22 and its related heading, with no link to a transition paragraph, as follows:

#### Implementation Guidance and Illustrations

##### > > Instruments Not ~~Within~~within Scope

**815-10-55-22** This guidance addresses the following matters:

- a. Normal purchases and normal sales—application to power purchase or sales agreements
- b. Dual-trigger financial guarantee contracts

- c. Certain insurance contracts—dual-trigger property and casualty insurance contracts
- d. Derivative instrument that impedes sale accounting
- e. Subparagraph superseded by Accounting Standards Update 2012-04, Loan commitment types.

103. The following amendment corrects the improper reference to paragraph 815-20-25-43(c). Paragraph 815-20-25-3(b)(2)(iv), rather than paragraph 815-20-25-43(c), requires an entity to define how the expectation of offsetting changes in fair value of cash flows would be assessed.

104. Amend paragraph 815-20-55-6, with no link to a transition paragraph, as follows:

## **Derivatives and Hedging—Hedging—General**

### **Implementation Guidance and Illustrations**

**815-20-55-6** Though there is no prohibition against partial-term hedging and other designations of a portion of an asset or liability, paragraph 815-20-25-3(b)(2)(iv)~~815-20-25-43(c)~~ requires an entity to define how the expectation of offsetting changes in fair value or cash flows would be assessed. However, the absence of a prohibition does not necessarily result in qualification for hedge accounting for partial-term or other hedges of part of an asset or a liability. It likely will be difficult to find a **derivative instrument** that will be effective as a **fair value hedge** of selected cash flows.

## **Amendments to Subtopic 820-10**

105. Paragraph 820-10-55-54 describes a case where a donor contributed land to an association with the specification that the association must use the land as a playground in perpetuity. The paragraph also states that the association can sell the land. Paragraph 820-10-55-55 refers to the donor restriction as a permanent restriction. However, that is not correct because the association is at liberty to sell the land. The first amendment is in paragraph 820-10-55-54 and clarifies that the association can sell the land. The second amendment clarifies the language in paragraph 820-10-55-55 by deleting the characterization of the restriction as permanent.

106. Amend paragraphs 820-10-55-54 through 55-55, with no link to a transition paragraph, as follows:

## Fair Value Measurement—Overall

### Implementation Guidance and Illustrations

#### > > > Case B: Restrictions on the Use of an Asset

**820-10-55-54** A donor contributes land in an otherwise developed residential area to a not-for-profit neighborhood association. The land is currently used as a playground. The donor specifies that the land must continue to be used by the association as a playground in ~~perpetuity~~perpetuity; however, the association is not restricted from selling the land. Upon review of relevant documentation (for example, legal and other), the association determines that the fiduciary responsibility to meet the donor's restriction would not be transferred to market participants if the association sold the asset, that is, the donor restriction on the use of the land is specific to the association. ~~Furthermore, the association is not restricted from selling the land.~~ Without the restriction on the use of the land by the association, the land could be used as a site for residential development. In addition, the land is subject to an easement (that is, a legal right that enables a utility to run power lines across the land). Following is an analysis of the effect on the fair value measurement of the land arising from the restriction and the easement:

- a. Donor restriction on use of land. Because in this situation the donor restriction on the use of the land is specific to the association, the restriction would not be transferred to market participants. Therefore, the fair value of the land would be the higher of its fair value used as a playground (that is, the fair value of the asset would be maximized through its use by market participants in combination with other assets or with other assets and liabilities) and its fair value as a site for residential development (that is, the fair value of the asset would be maximized through its use by market participants on a standalone basis), regardless of the restriction on the use of the land by the association.
- b. Easement for utility lines. Because the easement for utility lines is specific to (that is, a characteristic of) the land, it would be transferred to market participants with the land. Therefore, the fair value measurement of the land would take into account the effect of the easement, regardless of whether the highest and best use is as a playground or as a site for residential development.

**820-10-55-55** The donor restriction, which is legally binding on the association, would be indicated through classification of the associated net assets (~~permanently restricted~~) and disclosure of the nature of the restriction in

accordance with paragraphs 958-210-45-8 through 45-9, 958-210-50-1, and 958-210-50-3.

## Amendments to Subtopic 825-10

107. The following amendment clarifies the scope exception provided to certain nonpublic entities in FASB Statement No. 126, *Exemption from Certain Required Disclosures about Financial Instruments for Certain Nonpublic Entities*. Statement 126 provided certain nonpublic entities (as defined in paragraph 825-10-50-3) relief from the disclosure requirements for financial instruments originally required in FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*. However, the disclosure relief provided by Statement 126 was limited to the financial instrument fair value disclosures and did not provide relief for other disclosures required by Statement 107, including credit risk and market risk disclosures. Therefore, this amendment adds clarifying wording to carry forward only the disclosure scope exception provided by Statement 126.

108. Amend paragraph 825-10-50-3, with no link to a transition paragraph, as follows:

### Financial Instruments—Overall

#### Disclosure

**825-10-50-3** For annual reporting periods, the disclosure guidance in ~~this Subsection~~ related to fair value of financial instruments in paragraphs 825-10-50-10 through 50-19 applies to all entities but is optional for an entity that meets all of the following criteria:

- a. The entity is a **nonpublic entity**.
- b. The entity's total assets are less than \$100 million on the date of the financial statements.
- c. The entity has no instrument that, in whole or in part, is accounted for as a derivative instrument under Topic 815 other than commitments related to the origination of mortgage loans to be held for sale during the reporting period.

## Amendments to Subtopic 835-10

109. The following is an editorial amendment that removes the unnecessary and inaccurate sentence that contradicts the general purpose of Section 60.

110. Amend paragraph 835-10-05-3, with no link to a transition paragraph, as follows:

## **Interest—Overall**

### **Overview and Background**

~~835-10-05-3~~ The recognition of interest income and interest expense for specific transactions and specific instrument types is also addressed in various other Topics. ~~Section 835-10-60 provides specific situations not specifically addressed in this Topic.~~

### **Amendments to Subtopic 840-40**

111. The following amendment modifies an example formerly in paragraph 24 of FASB Statement No. 28, *Accounting for Sales with Leasebacks*, that illustrates that in a sale-leaseback transaction where the leaseback is deemed to be minor, a gain may be recognized (codified as Example 6 in paragraphs 840-40-55-81 through 55-84). Example 6 used real estate (land and a factory) as the underlying asset to illustrate the concept. After the issuance of Statement 28, the FASB issued additional guidance in FASB Statement No. 98, *Accounting for Leases*, that precluded gain recognition for real estate in sale-leaseback transactions where the seller-lessor engages in continuing involvement. Due to the use of real estate as the underlying asset in Example 6, the illustrative example is incorrect. This amendment modifies the underlying asset to be equipment rather than real estate to correctly illustrate the concepts from Statement 28 and Statement 98.

112. Amend paragraphs 840-40-55-82 through 55-84 and their related heading, with no link to a transition paragraph, as follows:

## **Leases—Sale-Leaseback Transactions**

### **Implementation Guidance and Illustrations**

#### **> > Example 6: Leaseback of Equipment ~~Real Estate~~ ~~that~~ ~~That~~ Is Minor**

**840-40-55-81** This Example Illustrates application of the guidance in paragraph 840-40-25-3.

**840-40-55-82** An entity sells ~~real estate, consisting of land and a factory~~equipment. ~~The factory~~equipment is not integral equipment and has an estimated remaining life of approximately ~~40~~25 years. ~~The sale meets the criteria of paragraph 360-20-40-5 for full and immediate profit recognition.~~ The seller

negotiates a leaseback of the factory equipment for one year because ~~its new facilities are under construction and approximately one year will be required to complete the new facilities and relocate~~ the seller has ordered replacement equipment that is expected to be available for the seller to use in approximately one year. This Example has the following assumptions.

<u>Contractually stated Sales</u> sales price		\$ 20,000,000
Carrying value of <u>real-estate equipment</u>		\$ 6,000,000
Annual rental under leaseback	\$ <del>900,000</del>	\$ 800,000
Estimated <u>value of</u> annual market rental		\$ 1,800,000
<u>Appraised value of equipment</u>		\$ 21,000,000

**840-40-55-83** The leaseback is a minor leaseback because the present value of the leaseback (\$1,800,000) is less than 10 percent of the fair value of the asset sold (~~approximately \$21,000,000~~ \$20,900,000, based on the sales price and the prepaid rental that apparently has reduced the sales price). Accordingly, the seller-lessee would record the sale and would recognize profit. An amount of ~~\$1,000,000~~ \$900,000 (~~\$1,800,000 less \$800,000~~) would be deferred and amortized as additional rent expense over the term of the leaseback to adjust the leaseback rentals to a reasonable amount. Accordingly, the seller-lessee would recognize ~~\$15,000,000~~ \$14,900,000 as profit on the sale (\$14,000,000 of profit based on the terms of the sale increased by ~~\$1,000,000~~ \$900,000 to adjust the leaseback rentals to a reasonable amount).

**840-40-55-84** If the term of a prepayment of rent were significant, the amount deferred would be the amount required to adjust the rental to the market rental for ~~an equivalent property~~ equipment if that rental were also prepaid.

## Amendments to Subtopic 845-10

113. The following amendment to paragraph 845-10-15-4 is editorial in nature. The amendment to paragraph 845-10-30-25A clarifies that an entity is not precluded from using the carryover basis of measurement when accounting for an exchange of a nonmonetary asset for a noncontrolling ownership interest. The amendment clarifies that an entity is required to follow the guidance in paragraph 845-10-30-25A if it chooses to account for its noncontrolling ownership interest at fair value. The amendments to paragraph 845-10-55-2 conform the language in the illustrative table to the guidance in this Subtopic.

114. Amend paragraphs 845-10-15-4, 845-10-30-25A, and 845-10-55-2, with no link to a transition paragraph, as follows:

## Nonmonetary Transactions—Overall

### Scope and Scope Exceptions

**845-10-15-4** The guidance in the Nonmonetary Transactions Topic does not apply to the following transactions:

- a. A business combination accounted for by an entity according to the provisions of Topic 805 or a combination accounted for by a **not-for-profit entity** according to the provisions of Subtopic 958-805
- b. A transfer of nonmonetary assets solely between entities or persons under common control, such as between a parent and its **subsidiaries** or between two subsidiaries of the same parent, or between a corporate **joint venture** and its **owners**
- c. Acquisition of nonmonetary assets or services on issuance of the capital stock of an entity under Subtopics 718-10 and 505-50
- d. Stock issued or received in stock dividends and stock splits that are accounted for in accordance with Subtopic 505-20
- e. A transfer of assets to an entity in exchange for an equity interest in that entity (except for ~~certain exchanges~~~~the specific exchange~~ of a nonfinancial asset for a noncontrolling ownership interest, see paragraph 845-10-15-18)
- f. A pooling of assets in a joint undertaking intended to find, develop, or produce oil or gas from a particular property or group of properties, as described in paragraph 932-360-40-7
- g. The exchange of a part of an operating interest owned for a part of an operating interest owned by another party that is subject to paragraph 932-360-55-6
- h. The transfer of a financial asset within the scope of Section 860-10-15
- i. Involuntary conversions specified in paragraph 605-40-15-2.

### Initial Measurement

#### Exchanges of a Nonfinancial Asset for a Noncontrolling Ownership Interest

**845-10-30-25A** Except for exchanges described in the preceding paragraph, ~~if~~ an exchange of a nonmonetary asset for a noncontrolling ownership interest in a second entity ~~shall be~~ accounted for at fair value, ~~value and~~ full or partial gain recognition ~~also~~ is required. Paragraphs 845-10-30-26 through 30-27 provide guidance on how the gain or loss is to be determined.

## **Implementation Guidance and Illustrations**

### **> > Summary of Guidance**

**845-10-55-2** The following table summarizes the guidance contained in this Subtopic.

		ASSET RECEIVED		
		Investment accounted for by the equity method (including joint-ventures)	Controlled asset or group of assets that does not meet the definition of a business	Controlled group of assets that meets the definition of a business
A S S E T G I V E N U P	Investment accounted for by the equity method (including joint-ventures)	A transfer of an equity method investment should be accounted for under the provisions of Topic 860.	A transfer of an equity method investment should be accounted for under the provisions of Topic 860.	Fair value (Topic 805)
	Controlled asset or group of assets that does not meet the definition of a business	<b><u>If the transfer is accounted for at fair value, see paragraph 845-10-30-25A. This Subtopic does not provide guidance for this circumstance</u></b>	<p><b>Carryover basis if any of the following conditions are met:</b></p> <p>a. The fair value of neither the asset(s) received nor the asset(s) relinquished is determinable within reasonable limits.</p> <p>b. Assets exchanged are a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than parties to the exchange.</p> <p>c. The exchange lacks commercial substance.</p> <p><b>Otherwise, fair value</b></p>	Fair value (Topic 805)
	Controlled group of assets that meets the definition of a business	<b><u>This Subtopic does not provide guidance for this circumstance (see paragraph 845-10-30-25), however, Securities and Exchange Commission (SEC) registrants are required to account for at fair value. Also, paragraph 840-10-40-5 requires that if a subsidiary is deconsolidated and an investment is retained in that former subsidiary, the retained investment be recognized and measured at fair value.</u></b>	<b><u>This Subtopic does not provide guidance for this circumstance (see paragraph 845-10-30-25), however, SEC registrants are required to account for at fair value unless the fair value is not determinable within reasonable limits or the exchange lacks commercial substance.</u></b>	Fair value (Topic 805)

## Amendments to Subtopic 942-325

115. The following amendment reflects the change in the regulatory agency responsibility outlined in the 2010 AICPA Audit and Accounting Guide, *Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, Finance Companies, and Mortgage Companies*. The Federal Housing Financing Agency is now the regulator of the Federal Home Loan Banks. The role of the Federal Housing Financing Agency is not the same as the role of the Federal Housing Finance Board in the past.

116. Amend paragraph 942-325-05-2, with no link to a transition paragraph, as follows:

### **Financial Services—Depository and Lending—Investments—Other**

#### **Overview and Background**

**942-325-05-2** Although Federal Home Loan Bank (or Federal Reserve Bank) stock is an equity interest in a Federal Home Loan Bank (or Federal Reserve Bank), it does not have a readily determinable fair value for purposes of Topic 320 because its ownership is restricted and it lacks a market. Federal Home Loan Bank (or Federal Reserve Bank) stock can be sold back only at its par value of \$100 per share and only to the Federal Home Loan Banks (or Federal Reserve Banks) or to another member institution. In addition, the equity ownership rights represented by Federal Home Loan Bank stock are more limited than would be the case for a public company, because of the oversight role exercised by ~~the regulators—Federal Housing Finance Board~~ in the process of budgeting and approving dividends.

## Amendments to Topic 944

117. The following amendments correct references to paragraph 944-30-25-1 in paragraphs 944-30-25-14, 944-30-35-1A, 944-30-35-19 through 35-20, 944-30-35-22, and 944-30-35-53 and make other minor corrections. These amendments reflect an amendment of Accounting Standards Update No. 2010-26, *Financial Services—Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*, which replaced paragraph 944-30-25-1 with paragraphs 944-30-25-1A through 25-1B.

118. Amend paragraphs 944-30-25-14, 944-30-35-1A, 944-30-35-19 through 35-20, 944-30-35-22, and 944-30-35-53, with no link to a transition paragraph, as follows:

## **Financial Services—Insurance—Acquisition Costs**

### **Recognition**

#### **Reinsurance Contracts**

~~944-30-25-14~~ Paragraphs 944-30-25-1A through 25-1B provide guidance on recognition of acquisition costs.

#### **Subsequent Measurement**

#### **Short-Duration Contracts**

~~944-30-35-1A~~ Acquisition costs capitalized under paragraphs 944-30-25-1A through 25-1B shall be charged to expense in proportion to premium revenue recognized under Subtopic 944-605.

#### **Long-Duration Contracts**

##### **> Investment Contracts**

~~944-30-35-19~~ The amortization method described beginning in paragraph 944-30-35-4 for universal life-type contracts shall be used to amortize acquisition costs deferred under paragraphs 944-30-25-1A through 25-1B for **investment contracts** that include significant surrender charges or that yield significant revenues from sources other than the investment of contract holders' funds.

~~944-30-35-20~~ Acquisition costs deferred under paragraphs 944-30-25-1A through 25-1B for other investment contracts shall be amortized using an accounting method that recognizes acquisition and interest costs as expenses at a constant rate applied to net policy liabilities and that is consistent with the **interest method** under Subtopic 310-20.

~~944-30-35-22~~ If, with respect to the asset related to acquisition costs deferred under paragraphs 944-30-25-1A through 25-1B for investment contracts described in paragraph 944-30-35-19, it is determined that

the amount at which the asset is stated is probably not recoverable, the asset should be reduced to the level that can be recovered.

## Internal Replacement Transactions

**944-30-35-53** Consistent with the guidance in paragraphs 944-30-35-1A ~~944-30-25-4~~ and 944-605-25-1, unearned premium is recognized as revenue over the period of the contract in proportion to the amount of insurance protection provided, amortization of deferred acquisition costs continues to be recognized in proportion to the premium recognized, and the revised amortization ratio is used prospectively.

119. The following amendment to paragraph 944-40-25-13 corrects the cross-references to guidance on long-duration insurance contracts and investment contracts.

120. Amend paragraph 944-40-25-13 and its related heading, with no link to a transition paragraph, as follows:

## Financial Services—Insurance—Claim Costs and Liabilities for Future Policy Benefits

### Recognition

#### Long-Duration Contracts

##### > > **Balance ~~that~~That Accrues to the Benefit of Policyholders**

**944-40-25-13** The balance that accrues to the benefit of the contract holder for a long-duration insurance contract that is subject to ~~paragraphs 944-20-15-14 and 944-825-25-1 through 25-2~~ paragraph 944-40-30-16 (or an investment contract that is subject to ~~paragraph 944-40-30-16~~ paragraphs 944-20-15-14 and 944-825-25-1 through 25-2) is the accrued account balance. The liability for the contract is the combination of amounts recorded in **separate account** liabilities and **general account** policyholder liabilities.

121. The following amendment creates paragraph 944-40-25-25A to direct stakeholders to the recognition guidance for establishing an unearned revenue liability in paragraph 944-605-25-8 for contracts with death or other insurance benefits.

122. Add paragraph 944-40-25-25A and its related heading, with no link to a transition paragraph, as follows:

## **> > Universal Life-Type Contracts with Death or Other Insurance Benefit Features**

**944-40-25-25A** See paragraph 944-605-25-8 for guidance for establishing an unearned revenue liability.

123. The following amendment creates paragraph 944-40-30-19A to direct stakeholders to the initial measurement guidance for establishing an unearned revenue liability in paragraph 944-605-30-1 for contracts with death or other insurance benefits. Additionally, this amendment corrects the reference in paragraph 944-40-30-20 to the newly created paragraph 944-40-25-25A in the above amendment (see paragraphs 125 through 126). Paragraph 944-40-30-20 codified paragraph 26 of AICPA SOP 03-1, *Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts*, that pertains to establishing an additional liability for contracts with death or other insurance benefit features. Paragraph 944-40-25-27 codified paragraph 31 of SOP 03-1 that pertains to establishing an additional liability for contracts with annuitization benefits. These are two different types of contracts. The new reference to paragraph 944-40-25-25A provides guidance for contracts with death or other insurance benefits.

124. Add paragraph 944-40-30-19A and amend paragraph 944-40-30-20, with no link to a transition paragraph, as follows:

### **Initial Measurement**

### **Long-Duration Contracts**

## **> > Universal Life-Type Contracts with Death or Other Insurance Benefit Features**

**944-40-30-19A** See paragraph 944-605-30-1 for guidance for establishing an unearned revenue liability.

**944-40-30-20** The amount of the additional liability recognized under paragraph ~~944-40-25-27~~944-40-25-25A shall be determined based on the ratio (benefit ratio) of the following:

- a. Numerator. The present value of total expected excess payments over the life of the contract.
- b. Denominator. The present value of total expected assessments over the life of the contract.

Total expected assessments are the aggregate of all charges, including those for administration, mortality, expense, and surrender, regardless of how characterized.

125. The following amendment adds paragraph 944-320-50-2 to direct users to the disclosure guidance in Subtopic 942-320, Financial Services—Depository and Lending—Investments—Debt and Equity Securities. As stated in paragraph 942-320-50-1, the disclosure guidance in Section 942-320-50 applies to financial institutions, a term that includes insurance entities.

126. Add paragraph 944-320-50-2, with no link to a transition paragraph, as follows:

## **Financial Services—Insurance—Investments—Debt and Equity Securities**

### **Disclosure**

**944-320-50-2** Insurance entities are subject to the disclosure requirements of Section 942-320-50.

127. The following amendment corrects the heading for paragraph 944-605-35-8 and adds a heading to paragraph 944-605-35-9.

128. Amend paragraphs 944-605-35-8 through 35-9 and their related headings, with no link to a transition paragraph, as follows:

## **Financial Services—Insurance—Revenue Recognition**

### **Subsequent Measurement**

#### **Reinsurance Contracts**

##### **> Reinsurance of Short-Duration Contracts**

##### **> > Prospective~~Retroactive~~ Reinsurance**

**944-605-35-8 Prepaid reinsurance premiums** recognized under paragraph 944-605-25-20 shall be amortized over the remaining **contract period** in proportion to the amount of insurance protection provided. If the amounts paid are subject to adjustment and can be reasonably estimated, the basis for amortization shall be the estimated ultimate amount to be paid.

## **> > Retroactive Reinsurance**

**944-605-35-9** Any gain deferred under paragraph 944-605-25-22 shall be amortized over the estimated remaining **settlement period**. If the amounts and timing of the reinsurance recoveries can be reasonably estimated, the deferred gain shall be amortized using the effective interest rate inherent in the amount paid to the **reinsurer** and the estimated timing and amounts of recoveries from the reinsurer; that is, the interest method. Otherwise, the proportion of actual recoveries to total estimated recoveries (the recovery method) shall determine the amount of amortization.

## Amendments to Topic 954

129. The following is an editorial amendment that clarifies the meaning of paragraph 954-305-45-1(d).

130. Amend paragraph 954-305-45-1, with no link to a transition paragraph, as follows:

### **Health Care Entities—Cash and Cash Equivalents**

#### **Other Presentation Matters**

**954-305-45-1** Cash and claims to cash that meet any of the following conditions shall be reported separately and shall be excluded from current assets:

- a. They are restricted as to withdrawal or use for other than current operations.
- b. They are designated for expenditure in the acquisition or construction of noncurrent assets.
- c. They are required to be segregated for the liquidation of long-term debts.
- d. They are ~~required~~limited to use for long-term purposes by a donor-imposed restriction ~~that limits their use to long-term purposes~~.

131. The following amendments reflect the intended scope of the guidance in Subtopic 954-320, Health Care Entities—Investments—Debt and Equity Securities, by providing more clarity to the Overview and Background and Scope and Scope Exceptions Sections of Subtopic 954-320. This Subtopic provides guidance for investors that report performance indicators. Performance indicators are required to be provided by not-for-profit, business-oriented health care entities. Therefore, this guidance applies to not-for-profit health care entities that report a performance indicator, not to all health care entities. This guidance does

not apply to for-profit, investor-owned health care entities that report net income and follow general reporting guidance.

132. Amend paragraphs 954-320-05-1 and 954-320-15-1, with no link to a transition paragraph, as follows:

## **Health Care Entities—Investments—Debt and Equity Securities**

### **Overview and Background**

**954-320-05-1** This Subtopic provides guidance on investments of debt and equity securities for not-for-profit, business-oriented health care entities within the scope of this Topic.

### **Scope and Scope Exceptions**

#### **> Overall Guidance**

**954-320-15-1** This Subtopic ~~follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic, see Section 954-10-15~~provides guidance that is applicable to not-for-profit, business-oriented health care entities. These types of entities are described in paragraph 954-10-05-2(b).

133. The following amendment clarifies that investors that report a performance indicator should follow the impairment guidance in paragraphs 320-10-35-17 through 35-34E. The current references to Subtopics 958-325, Not-for-Profit Entities—Investments—Other, and 325-20, Investments—Other—Cost Method Investments, are redundant. Subtopic 958-325 contains general guidance for impairment that is addressed in Subtopic 325-20. Subtopic 325-20 also references the impairment guidance in Subtopic 958-320. Finally, this amendment deletes the heading to paragraph 954-320-35-1, as it is redundant with the Subtopic title.

134. Amend paragraph 954-320-35-1, with no link to a transition paragraph, as follows:

### **Subsequent Measurement**

**954-320-35-1** Investors that report a **performance indicator** as defined in Subtopic ~~954-205~~954-225 shall refer to ~~Subtopics 320-10, 325-20, and 958-~~

~~325~~ paragraphs 320-10-35-17 through 35-34E when determining impairment and evaluating whether the impairment is other than temporary.

135. The following amendment corrects paragraph 954-450-25-3 to reflect a consequential amendment that should have been incorporated into Accounting Standards Update No. 2010-24, *Health Care Entities (Topic 954): Presentation of Insurance Claims and Related Insurance Recoveries*.

136. Amend paragraph 954-450-25-3, with no link to a transition paragraph, as follows:

## **Health Care Entities—Contingencies**

### **Recognition**

#### **> Medical Malpractice Trust Funds**

**954-450-25-3** Estimated losses from asserted and unasserted claims shall be accrued and reported, as indicated in paragraphs 954-450-30-1 through 30-2. The estimated losses are not based on payments to the trust fund. See paragraph 954-720-25-5 for guidance concerning an entity that participates ~~in~~ ~~transfers risk of loss to~~ a common trust fund and forfeits its rights to any excess funding. See also paragraph 954-810-45-4.

137. The following amendment adds a cross-reference to paragraph 954-605-05-6 to ensure that stakeholders understand the difference between premium revenue and patient service revenue. Additionally the referenced paragraph is provided below for clarification purposes only.

138. Amend paragraph 954-605-05-2, with no link to a transition paragraph, as follows:

## Health Care Entities—Revenue Recognition

### Overview and Background

**954-605-05-2** Examples of revenue include all of the following:

- a. Patient service revenue, which is derived from fees charged for patient care. This may be based on **diagnosis-related group** payments, resource-based relative value scales payments, per diems, discounts, or other fee-for-service arrangements.
- b. Premium revenue, which is derived from capitation arrangements. See paragraph 954-605-05-6.
- c. Resident service revenue, which may be related to maintenance fees, rental fees, or amortization of advance fees.

#### > Premium Revenue

**954-605-05-6** In many cases, revenues are generated as a result of an agreement to provide health care rather than from the actual provision of services. For example, an integrated delivery system may agree to provide all health-related services for a specified group residing within its primary service area for an agreed-upon amount per member per month. These revenues are premium revenues, not patient service revenues, since they are earned by agreeing to provide care, regardless of whether services actually are rendered.

139. The following amendment corrects paragraph 954-805-50-2 to reflect a consequential amendment that should have been incorporated into Accounting Standards Update No. 2010-29, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations*.

140. Amend paragraph 954-805-50-2, with no link to a transition paragraph, as follows:

## Health Care Entities—Business Combinations

### Disclosure

**954-805-50-2** For an **acquisition by a not-for-profit entity**, a not-for-profit, business-oriented health care entity that is a public entity shall disclose all of the following:

- a. The performance indicator attributable to the acquiree since the **acquisition date** that is included in the statement of activities for the reporting ~~period~~period.
- b. The performance indicator as though the acquisition date for all acquisitions that occurred during the current year had been at the beginning of the annual reporting period (supplemental pro forma ~~information~~)information).
- c. If the acquirer presents comparative financial statements, the performance indicator as though the acquisition date for all acquisitions that occurred during the current year had ~~been at~~occurred as of the beginning of the comparable prior annual reporting period (supplemental pro forma information). For example, for a calendar year-end entity, disclosures would be provided for an acquisition by a not-for-profit entity that occurs in 20X2, as if it occurred on January 1, 20X1. Such disclosures would not be revised if 20X2 is presented for comparative purposes with the 20X3 financial statements (even if 20X2 is the earliest period presented).
- d. The nature and amount of any material, nonrecurring pro forma adjustments directly attributable to the acquisition(s) included in the reported pro forma performance indicator (supplemental pro forma information).

141. Section 954-815-50, Health Care Entities—Derivatives and Hedging—Disclosure, provides industry-specific guidance on how certain disclosures in FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, that was codified in Topic 815, Derivatives and Hedging, should be applied by not-for-profit business-oriented health care entities. Because paragraph 815-10-50-4G provides explicit guidance on how certain other disclosures in Topic 815 should be applied by not-for-profit, business-oriented health care entities, it is helpful to include a cross-reference to that guidance so that those health care entities are aware of its existence.

142. Add paragraph 954-815-50-2, with no link to a transition paragraph, as follows:

## **Health Care Entities—Derivatives and Hedging**

### **Disclosure**

**954-815-50-2** Paragraph 815-10-50-4G discusses how certain other disclosures required by Topic 815 should be applied by not-for-profit, business-oriented health care entities.

## Amendments to Topic 958

143. The following amendment incorporates the application guidance found in the Notice to Constituents and in paragraph 105-10-65-1.

144. Amend paragraph 958-10-05-1, with no link to a transition paragraph, as follows:

### Not-for-Profit Entities—Overall

#### Overview and Background

**958-10-05-1** The Not-for-Profit Entities Topic provides guidance for **not-for-profit entities** (NFPs) as defined in Section 958-10-15 that are nongovernmental entities, or as further defined in the Scope Sections of the individual Subtopics. Guidance in other Topics and Subtopics applies to NFPs unless the specific Scope Sections exempt NFPs or the subject matter precludes applicability (for example, convertible debt).

145. The following amendment makes the guidance in paragraph 958-30-25-17 consistent with the classification guidance in paragraph 958-30-45-1 that provides two exceptions to the classification of contribution revenues recognized under split-interest agreements as increases in temporarily restricted net assets. Additionally, the amendment deletes the description of the journal entry for the transaction because the journal entries are included in paragraph 958-30-55-30, in the Implementation Guidance and Illustrations Section of this Subtopic.

146. Amend paragraph 958-30-25-17, with no link to a transition paragraph, as follows:

### Not-for-Profit Entities—Split-Interest Agreements

#### Recognition

**958-30-25-17** Pursuant to paragraphs 958-605-25-28 through 25-30, if an NFP is the beneficiary of a split-interest agreement held by a third party and has an unconditional right to receive all or a portion of the specified cash flows from the assets held pursuant to that agreement, the NFP shall recognize that beneficial interest by ~~debiting beneficial interest in split interest agreement and crediting temporarily restricted contribution revenue~~ debiting beneficial interest in split interest agreement and crediting contribution revenue. That asset and contribution revenue represents its entitlement to the **lead interest** payments or the remainder interest, as stipulated in the agreement.

The contribution shall be recognized when the NFP is notified of the split-interest agreement's existence.

147. The following amendment incorporates the context of the legacy literature in paragraphs C4 through C6 of FSP FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds." This amendment clarifies that restrictions should not be limited to state laws that require maintenance of purchasing power for donor-restricted endowment funds.

148. Amend paragraph 958-205-45-21A, with no link to a transition paragraph, as follows:

## **Not-for-Profit Entities—Presentation of Financial Statements**

### **Other Presentation Matters**

**958-205-45-21A** If an NFP is subject to a ~~state law~~ or regulation that its governing board interprets as requiring the maintenance of purchasing power for donor-restricted endowment funds, then the NFP shall periodically adjust the amount in permanently restricted net assets to reflect that interpretation. Under those circumstances, an NFP shall use the inflation (deflation) index (or indexes) that it deems most relevant for adjusting the permanently restricted net assets of the funds (for example, the Consumer Price Index or the Higher Education Price Index).

149. The following amendment incorporates the legacy literature in FSP FAS 117-1, "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds," and clarifies that the example in paragraph 958-205-55-22 is for an organization that is subject to the Uniform Management Institutional Funds Act.

150. Amend paragraph 958-205-55-22, with no link to a transition paragraph, as follows:

## **Implementation Guidance and Illustrations**

### **> > Example 2: Donor-Restricted Endowment Fund**

**958-205-55-22** This Example illustrates the classification prescribed by paragraphs 958-205-45-13 through ~~45-2445-27~~ and paragraphs 958-205-45-33

through 45-35 of a loss on investments of a donor-restricted endowment fund subject to a version of the Uniform Management Institutional Funds Act of 1972.

151. The following amendment clarifies that the guidance is describing an instance in which the Board of Trustees for a donor-restricted endowment fund has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 as requiring the preservation of the original gift amount.

152. Amend paragraphs 958-205-55-32, 958-205-55-38, and 958-205-55-40, with no link to a transition paragraph, as follows:

**958-205-55-32** This Example makes all of the following assumptions:

- a. NFP A is issuing a full set of financial statements for both the current fiscal year, 200Y, and the previous fiscal year, 200X.
- b. NFP A has a sizable endowment.
- c. At the beginning of 200X, an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 became effective for the State to whose law NFP A is subject.
- d. The Board of Trustees has interpreted the new law as requiring the preservation of the ~~fair value of the original gift~~ amounts of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.
- e. None of the funds have donor stipulations that override the restriction described in subsection 4(a) of the law, which the enacted version in the State included verbatim: “unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution.”
- f. The NFP had previously been operating under an enacted version of the Uniform Management of Institutional Funds Act.
- g. The change in law prompted a change in the net asset classification of NFP A’s endowment, as depicted in the following paragraph.

**958-205-55-38** NFP A’s disclosure of its interpretation of the law or laws that underlie NFP A’s net asset classification of donor-restricted endowment funds follows.

#### Interpretation of Relevant Law

The Board of Trustees of NFP A has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the ~~fair value of the original gift~~ amounts of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, NFP A classifies as

permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, NFP A considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of NFP A.

**958-205-55-40** For the purpose of illustration, the NFP in the example in paragraphs 958-205-55-34 through 55-39 is subject to a state law that its governing board has interpreted as requiring the preservation of the ~~fair value of the original gift~~ amounts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. If, on the other hand, an NFP were subject to a state law that its governing board interpreted as requiring the maintenance of purchasing power for donor-restricted endowment funds, then the NFP would apply the guidance in paragraph 958-205-45-21A.

153. The following amendment clarifies that health care entities are required to follow the guidance in paragraph 958-210-45-8(b) by adding a clarifying reference to applicable guidance.

154. Amend paragraph 958-210-45-8, with no link to a transition paragraph, as follows:

## **Not-for-Profit Entities—Balance Sheet**

### **Other Presentation Matters**

**958-210-45-8** Information about liquidity shall be provided by any of the following:

- a. Sequencing assets according to their nearness of conversion to cash and sequencing liabilities according to the nearness of their maturity and resulting use of cash
- b. Classifying assets and liabilities as current and noncurrent, as defined by Subtopic 210-10 (required by paragraph 954-210-45-1 for statements of financial position prepared by not-for-profit, business-oriented health care entities)
- c. Disclosing in notes to financial statements relevant information about the liquidity or maturity of assets and liabilities, including restrictions on the use of particular assets.

155. The following is an editorial amendment that clarifies that all of the items in paragraph 958-225-45-11(a) through (c) should be included in a presented subtotal amount.

156. Amend paragraph 958-225-45-11, with no link to a transition paragraph, as follows:

## **Not-for-Profit Entities—Income Statement**

### **Other Presentation Matters**

**958-225-45-11** Some limitations on an NFP’s use of an intermediate measure of operations are imposed by other Subtopics. If a subtotal such as income from operations is presented, it shall include the following amounts ~~of both of the following losses or costs~~:

- a. An impairment loss recognized for a long-lived asset (asset group) to be held and used, pursuant to paragraph 360-10-45-4
- b. Costs associated with an exit or disposal activity that does not involve a discontinued operation, pursuant to paragraph 420-10-45-3
- c. A gain or loss recognized on the sale of a long-lived asset (**disposal group**) that is not a component of an entity, pursuant to paragraph 360-10-45-5.

157. The following amendment adds paragraph 958-320-15-1A to refer users to additional guidance in Subtopic 954-320, Health Care Entities—Investments—Debt and Equity Securities, that is applicable to not-for-profit, business-oriented health care entities.

158. Add paragraph 958-320-15-1A and its related heading, with no link to a transition paragraph, as follows:

## **Not-for-Profit Entities—Investments—Debt and Equity Securities**

### **Scope and Scope Exceptions**

#### **> Health Care Entities**

**958-320-15-1A** The application of this Subtopic by not-for-profit, business-oriented health care entities, as described in paragraph 954-10-05-2(b), is subject to additional guidance in Subtopic 954-320.

159. The following amendment to paragraph 958-320-45-5 expanded the referenced paragraphs to incorporate the additional guidance of FSP FAS 117-1, “Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds,” for donor-restricted endowment funds that is codified in paragraphs 958-205-45-28 through 45-31.

160. Amend paragraph 958-320-45-5, with no link to a transition paragraph, as follows:

### **Other Presentation Matters**

**958-320-45-5** Gains and losses on the investments of a **donor-restricted endowment fund** are classified in accordance with paragraphs 958-205-45-13 through ~~45-2745-35~~.

161. The following amendment adds paragraph 958-325-35-5A to refer users to additional guidance in Subtopic 954-325, Health Care Entities—Investments—Other, that is applicable to not-for-profit, business-oriented health care entities.

162. Add paragraph 958-325-35-5A and its related heading, with no link to a transition paragraph, as follows:

## **Not-for-Profit Entities—Investments—Other**

### **Subsequent Measurement**

#### **> Health Care Entities**

**958-325-35-5A** Not-for-profit, business-oriented health care entities shall apply the guidance in Section 954-325-35.

163. The first amendment adds a reference in paragraph 958-605-35-3 to guidance in paragraph 958-30-35-10 that contains guidance for the subsequent measurement of the beneficial interest. The second amendment to paragraph 958-605-35-3 clarifies that the remeasurement of the beneficial interest should be done using the fair value of the assets of the trust at the date of remeasurement.

164. Amend paragraph 958-605-35-3, with no link to a transition paragraph, as follows:

## **Not-for-Profit Entities—Revenue Recognition**

### **Subsequent Measurement**

#### **Transfers of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others**

##### **> Specified Beneficiary**

**958-605-35-3** If the beneficiary has an unconditional right to receive all or a portion of the specified cash flows from a charitable trust or other identifiable pool of assets, the beneficiary shall subsequently remeasure that beneficial interest at **fair value** (see paragraph 958-30-35-10). The fair value of a **perpetual trust held by a third party** generally can be measured using the fair value of the assets ~~of contributed to the trust at the date of remeasurement~~, unless facts and circumstances indicate that the fair value of the beneficial interest differs from the fair value of the assets contributed to the trust. Annual distributions from a perpetual trust held by a third party are reported as investment income.

165. The following amendments clarify the guidance for the cost of soliciting members and membership dues. As currently written, the guidance could be misinterpreted to mean that the solicitation of membership dues requires the costs to be in General and Administrative Expenses. These amendments clarify that membership development is its own functional classification within supporting services.

166. Amend paragraphs 958-720-45-7 and 958-720-45-13 through 45-14, with no link to a transition paragraph, as follows:

## Not-for-Profit Entities—Other Expenses

### Other Presentation Matters

#### > > Management and General Activities

**958-720-45-7** Management and general activities include the following:

- a. Oversight
- b. Business management
- c. General recordkeeping
- d. Budgeting
- e. Financing, including unallocated interest costs pursuant to paragraph 958-720-45-24
- f. Soliciting funds other than **contributions** and membership dues, for example, the costs associated with ~~contributions, including exchange transactions (whether program related or not), such as government contracts, and related administrative activities~~
  1. Promoting the sale of goods or services to customers, including advertising costs
  2. Responding to government, foundation, and other requests for proposals for customer-sponsored contracts for goods and services
  3. Administering government, foundation, and similar customer-sponsored contracts, including billing and collecting fees.
- g. Disseminating information to inform the public of the NFP's stewardship of contributed funds
- h. ~~Announcements~~ Making announcements concerning appointments
- i. ~~The~~ Producing and disseminating the annual report
- j. Subparagraph superseded by Accounting Standards Update 2012-04. Related administrative activities
- k. All other management and administration except for direct conduct of program services (see paragraphs 958-720-45-3 through 45-5), or fundraising activities (see paragraphs 958-720-45-9 through 45-10), or membership development activities (see paragraphs 958-720-45-11 through 45-14).

**958-720-45-13** Membership development activities may be conducted in conjunction with other activities. In circumstances in which membership development is in part soliciting ~~revenues from exchange transactions~~ membership dues and in part soliciting contributions, the activity is a **joint activity**, as discussed in the Accounting for Costs of Activities that Include Fundraising Subsections of this Subtopic ~~at~~ beginning with paragraph 958-720-45-28.

**958-720-45-14** In circumstances in which membership development is conducted in conjunction with other activities but does not include soliciting contributions (for example, the NFP's membership dues are entirely exchange transactions and the activity is in part soliciting new members and in part program activities for existing members), the activity is not a joint activity, and the costs shall be allocated to membership development and one or more other functions. For example, membership may entitle the members to group life and other insurance at reduced costs because of the NFP's negotiated rates and to a subscription to the NFP's magazine or newsletter. Under these circumstances, For example, if an activity involves costs to solicit new members (membership development) and direct costs of providing goods or services to existing members, in accordance with paragraph 958-720-45-3, an appropriate part of the costs of soliciting members shall be allocated to the membership development function and a part to program services.

## Amendments to Subtopic 965-325

167. The following amendment corrects the guidance in paragraph 965-325-45-2 to remove the reference to participant loans because health and welfare plans do not contain features that permit loans to participants. The feedback was identified after the issuance of Accounting Standards Update No. 2010-25, *Plan Accounting—Defined Contribution Pension Plans (Topic 962): Reporting Loans to Participants by Defined Contribution Pension Plans*, that highlighted the participant loan guidance.

168. Amend paragraph 965-325-45-2, with no link to a transition paragraph, as follows:

### **Plan Accounting—Health and Welfare Benefit Plans— Investments—Other**

#### **Other Presentation Matters**

##### **> Non-Participant-Directed Investments**

**965-325-45-2** The presentation of non-participant-directed investments in the statement of net assets available for benefits or in the notes shall be detailed by general type, including the following:

- a. Registered investment entities (also known as mutual funds)
- b. Government securities
- c. Short-term securities
- d. Corporate bonds

- e. Common stocks
- f. Mortgages
- g. Subparagraph superseded by Accounting Standards Update 2012-04, Loans to participants
- h. Real estate.

## Amendments to Subtopic 970-720

169. The following amendment conforms the legacy literature guidance in FSP FAS 13-1, “Accounting for Rental Costs Incurred during a Construction Period.” These costs are addressed in Subtopic 970-340, Real Estate—General—Other Assets and Deferred Costs, that is referenced in the first sentence of paragraph 970-720-05-3, and the additional reference being deleted is circular and therefore irrelevant.

170. Amend paragraph 970-720-05-3, with no link to a transition paragraph, as follows:

### **Real Estate—General—Other Expenses**

#### **Overview and Background**

##### **Real Estate Project Costs**

**970-720-05-3** See the Real Estate Project Costs Subsection of Section 970–340–25 for guidance on the accounting for internal costs relating to real estate property acquisitions. ~~See also the Lessee Subsection of Section 840–20–25 for guidance regarding rental costs incurred during a construction period.~~

## Amendments to Subtopic 985-20

171. The following amendment clarifies that paragraph 985-20-25-9 relates to purchased software that has no alternative future use. The wording in the amendment is consistent with paragraph 985-20-25-8.

172. Amend paragraph 985-20-25-9, with no link to a transition paragraph, as follows:

## Software—Costs of Software to Be Sold, Leased, or Marketed

### Recognition

**985-20-25-8** The cost of purchased computer software to be sold, leased, or otherwise marketed that has no alternative future use shall be accounted for the same as the costs incurred to develop such software internally, as specified in paragraphs 985-20-25-1 through 25-6.

**985-20-25-9** An entity shall capitalize the total cost of purchased software that has no alternative future use if the criteria specified in paragraph 985-20-25-2 are met at the time of purchase. Otherwise, the cost will be charged to expense as research and development. For example, if the technological feasibility of a software product as a whole (that is, the product that will be ultimately marketed) has been established at the time software is purchased, the cost of the purchased software shall be capitalized and further accounted for in accordance with the other provisions of this Subtopic. The cost of software purchased to be integrated with another product or process shall be capitalized only if technological feasibility is established for the software component and if all research and development activities for the other components of the product or process are completed at the time of purchase.

### Relocated Guidance

173. These amendments principally move guidance from its current location in the Codification to a more appropriate location. Many times these changes relate to the scope of guidance—the current placement of the guidance in a certain Topic or Subtopic in the Codification either unintentionally narrows or unintentionally broadens its scope when compared with the legacy literature.

### Amendments to Subtopics 210-10 and 310-10

174. The guidance in Topic 310, Receivables, specifically paragraph 310-10-45-4, reflects the legacy literature in paragraphs 2 through 3 of APB Statement No. 12, *Omnibus Opinion—1967*, about the classification and disclosure of allowances. The guidance in paragraph 310-10-45-4 is better suited for Topic 210, Balance Sheet, because it applies to all asset valuation allowances, not just receivables, as would be interpreted due to its placement in Topic 310. Additionally, the amendment to paragraph 310-10-50-14 makes a change in reference that corresponds to these amendments.

175. Add paragraphs 210-10-45-13 and its related heading, and 310-10-45-4A, supersede paragraph 310-10-45-4, and amend paragraph 310-10-50-14, with no link to a transition paragraph, as follows:

## **Balance Sheet—Overall**

### **Other Presentation Matters**

#### **> Valuation Allowances**

**210-10-45-13** Asset valuation allowances for losses such as those on receivables and investments shall be deducted from the assets or groups of assets to which the allowances relate. See paragraph 310-10-50-14 for a related disclosure requirement. **[Content amended as shown and moved from paragraph 310-10-45-4]**

## **Receivables—Overall**

### **Other Presentation Matters**

#### **> Allowances**

~~**310-10-45-4** Paragraph superseded by Accounting Standards Update 2012-04. Asset valuation allowances for losses such as those on receivables and investments shall be deducted from the assets or groups of assets to which the allowances relate. See paragraph 310-10-50-14 for a related disclosure requirement. **[Content amended and moved to paragraph 210-10-45-13]**~~

~~**310-10-45-4A** See the guidance in paragraph 210-10-45-13 for asset valuation allowances.~~

## **Disclosure**

~~**310-10-50-14** Asset valuation allowances required by paragraph 210-10-45-13~~310-10-45-4~~ shall have an appropriate disclosure.~~

## **Amendments to Subtopics 210-20 and 305-10**

176. The following amendment moves the guidance in paragraph 305-10-55-1 to paragraph 210-20-55-18A. The source for this guidance is footnote 2 of FASB Interpretation No. 39, *Offsetting of Amounts Related to Certain Contracts*. The footnote related only to offsetting. As originally codified, the scope of the legacy

guidance is broadened due to its placement in Topic 305, Cash and Cash Equivalents. This amendment moves the guidance from Topic 305 to Topic 210, Balance Sheet, and thereby makes the scope of the guidance consistent with the scope in the legacy literature.

177. Add paragraph 210-20-55-18A and its related headings and supersede paragraph 305-10-55-1 and its related heading, with no link to a transition paragraph, as follows:

## **Balance Sheet—Offsetting**

### **Implementation Guidance and Illustrations**

#### **> Implementation Guidance**

#### **> > Other Considerations**

**210-20-55-18A** Cash on deposit at a financial institution shall be considered by the depositor as cash rather than as an amount owed to the depositor. **[Content moved from paragraph 305-10-55-1]**

## **Cash and Cash Equivalents—Overall**

### **Implementation Guidance and Illustrations**

#### **> ~~Implementation Guidance~~**

~~305-10-55-1 Paragraph superseded by Accounting Standards Update 2012-04. Cash on deposit at a financial institution shall be considered by the depositor as cash rather than as an amount owed to the depositor. [Content moved to paragraph 210-20-55-18A]~~

## **Amendments to Subtopics 275-10, 360-10, and 932-360**

178. The following amendment moves the application example in Topic 932, Extractive Activities—Oil and Gas, in paragraphs 932-360-55-15 through 55-19, to Topic 360, Property, Plant, and Equipment, paragraphs 360-10-55-50 through 55-54. This example is not specific to the oil and gas industry and should relate to any specialized equipment. Accordingly, this amendment moves the example to Topic 360 to provide such broader applicability. This amendment is consistent with the legacy literature in AICPA SOP 94-6, *Disclosure of Certain Significant Risks and Uncertainties*, that is not specific to the oil and gas industry.

Additionally, the amendment to paragraph 275-10-60-9 moves the guidance from that paragraph to paragraph 275-10-60-3A to conform with the sequencing of the Relationships Section.

179. Add paragraphs 275-10-60-3A and 360-10-55-50 through 55-54 and their related headings, amend paragraph 932-360-35-14, supersede paragraphs 275-10-60-9 and 932-360-55-15 through 55-19 and their related headings, and add paragraph 932-360-60-1, with no link to a transition paragraph, as follows:

## **Risks and Uncertainties—Overall**

### **Relationships**

#### **> ~~Extractive Activities—Oil and Gas~~ Property, Plant, and Equipment**

**275-10-60-3A** See Example 412 (paragraphs 360-10-55-50 through 55-54 ~~paragraph 932-360-55-15~~) for an illustration of the kinds of disclosures required for risks and uncertainties related to specialized manufacturing equipment. **[Content amended as shown and moved from paragraph 275-10-60-9]**

#### **> ~~Extractive Activities—Oil and Gas~~**

**275-10-60-9** Paragraph superseded by Accounting Standards Update 2012-04. See Example 1 (paragraph 932-360-55-15) for an illustration of the kinds of disclosures required for risks and uncertainties related to specialized manufacturing equipment. **[Content amended and moved to paragraph 275-10-60-3A]**

## **Property, Plant, and Equipment—Overall**

### **Implementation Guidance and Illustrations**

#### **> Illustrations**

##### **> > Example 412: Specialized Equipment—Potential Impairment**

**360-10-55-50** This Example illustrates the guidance in paragraph 932-360-35-14. Offshore Industries is a manufacturer of offshore drilling rigs and platforms. The entity's manufacturing process requires significant specialized equipment, which it currently owns. As a result of a decline in the price of oil, the demand for its products and services has fallen dramatically in the past two years, resulting in a

significant underutilization of its manufacturing capacity. **[Content amended as shown and moved from paragraph 932-360-55-15]**

**360-10-55-51** The entity depreciates its investments in specialized equipment based on its original estimate of the remaining useful lives of the equipment using the units-of-production method, since it believes that the exhaustion of usefulness of these specialized assets relates more to their use than to the passage of time. The entity reevaluates these estimates in light of current conditions in accordance with generally accepted accounting principles (GAAP). The entity also monitors the policies of its major competitors and is aware that several have reported large write-downs of similar assets. Nevertheless, while the entity believes that it is at least reasonably possible that its estimate that it will recover the carrying amount of those assets from future operations will change during the next year, it believes it is more likely that conditions in the industry will improve and that no write-down for impairment will be necessary. **[Content moved from paragraph 932-360-55-16]**

**360-10-55-52** The entity would make the following disclosure:

Offshore's policy is to depreciate specialized manufacturing equipment (with a net book value of \$25 million at December 31, 19X7) over its remaining useful life using the units-of-production method and to evaluate the remaining life and recoverability of such equipment in light of current conditions. [Given the excess capacity in the industry,] it is reasonably possible that the entity's estimate that it will recover the carrying amount of this equipment from future operations will change in the near term. **[Content moved from paragraph 932-360-55-17]**

**360-10-55-53** Regarding the preceding illustrative disclosure, if the information in the first sentence is already disclosed elsewhere in the notes, it need not be repeated. Also, the bracketed material in the second sentence represents an example of voluntary disclosure that is encouraged by paragraph 275-10-50-9. **[Content moved from paragraph 932-360-55-18]**

**360-10-55-54** In this Example, the entity acknowledges that the carrying amount of the specialized assets is subject to significant uncertainty based on current conditions. The uncertainty relates to the measurement of the specialized assets at the date of the financial statements, and the entity's disclosure makes clear that it is at least reasonably possible that the carrying amount will change in the near term. **[Content moved from paragraph 932-360-55-19]**

## Extractive Activities—Oil and Gas—Property, Plant, and Equipment

### Subsequent Measurement

#### >>> Specialized Equipment

**932-360-35-14** An illustration of specialized equipment impairment can be seen in Example 4-12 (see paragraphs 360-10-55-50 through 55-54~~paragraph 932-360-55-15~~).

### Implementation Guidance and Illustrations

#### > Illustrations

##### >> Example 4: Specialized Equipment—Potential Impairment

**932-360-55-15** ~~Paragraph superseded by Accounting Standards Update 2012-04. This Example illustrates the guidance in paragraph 932-360-35-14. Offshore Industries is a manufacturer of offshore drilling rigs and platforms. The entity's manufacturing process requires significant specialized equipment, which it currently owns. As a result of a decline in the price of oil, the demand for its products and services has fallen dramatically in the past two years, resulting in a significant underutilization of its manufacturing capacity. [Content amended and moved to paragraph 360-10-55-50]~~

**932-360-55-16** ~~Paragraph superseded by Accounting Standards Update 2012-04. The entity depreciates its investments in specialized equipment based on its original estimate of the remaining useful lives of the equipment using the units-of-production method, since it believes that the exhaustion of usefulness of these specialized assets relates more to their use than to the passage of time. The entity reevaluates these estimates in light of current conditions in accordance with generally accepted accounting principles (GAAP). The entity also monitors the policies of its major competitors and is aware that several have reported large write-downs of similar assets. Nevertheless, while the entity believes that it is at least reasonably possible that its estimate that it will recover the carrying amount of those assets from future operations will change during the next year, it believes it is more likely that conditions in the industry will improve and that no write-down for impairment will be necessary. [Content moved to paragraph 360-10-55-51]~~

**932-360-55-17** Paragraph superseded by Accounting Standards Update 2012-04. The entity would make the following disclosure:

~~Offshore's policy is to depreciate specialized manufacturing equipment (with a net book value of \$25 million at December 31, 19X7) over its remaining useful life using the units of production method and to evaluate the remaining life and recoverability of such equipment in light of current conditions. [Given the excess capacity in the industry,] it is reasonably possible that the entity's estimate that it will recover the carrying amount of this equipment from future operations will change in the near term. [Content moved to paragraph 360-10-55-52]~~

**932-360-55-18** Paragraph superseded by Accounting Standards Update 2012-04. Regarding the preceding illustrative disclosure, if the information in the first sentence is already disclosed elsewhere in the notes, it need not be repeated. Also, the bracketed material in the second sentence represents an example of voluntary disclosure that is encouraged by paragraph 275-10-50-9. [Content moved to paragraph 360-10-55-53]

**932-360-55-19** Paragraph superseded by Accounting Standards Update 2012-04. In this Example, the entity acknowledges that the carrying amount of the specialized assets is subject to significant uncertainty based on current conditions. The uncertainty relates to the measurement of the specialized assets at the date of the financial statements, and the entity's disclosure makes clear that it is at least reasonably possible that the carrying amount will change in the near term. [Content moved to paragraph 360-10-55-54]

## Relationships

**932-360-60-1** See paragraphs 360-10-55-50 through 55-54 for an illustration of the disclosure of risks and uncertainties related to impairment of specialized equipment.

## Amendments to Subtopic 350-20 and 360-10

180. The guidance in paragraphs 350-20-35-51 through 35-57 relates to derecognition rather than subsequent measurement, where it is currently codified. The following amendment creates the Derecognition Section and moves the guidance from paragraphs 350-20-35-51 through 35-57 to the newly created Derecognition Section.

181. Amend paragraphs 350-20-35-45, 350-20-35-51, and 360-10-35-39, supersede paragraphs 350-20-35-52 through 35-57, and add paragraphs 350-

20-40-1 through 40-7 and their related heading, with no link to a transition paragraph, as follows:

## **Intangibles—Goodwill and Other—Goodwill**

### **Subsequent Measurement**

#### **> Reorganization of Reporting Structure**

**350-20-35-45** When an entity reorganizes its reporting structure in a manner that changes the composition of one or more of its reporting units, the guidance in paragraphs 350-20-35-39 through 35-40 shall be used to reassign assets and liabilities to the reporting units affected. However, goodwill shall be reassigned to the reporting units affected using a relative fair value allocation approach similar to that used when a portion of a reporting unit is to be disposed of (see paragraphs ~~350-20-40-1~~350-20-35-54 through 40-735-57).

#### **> > Disposal of All or a Portion of a Reporting Unit**

**350-20-35-51** ~~See paragraphs 350-20-40-1 through 40-7 for guidance on disposal of all or a portion of a reporting unit. When a reporting unit is to be disposed of in its entirety, goodwill of that reporting unit shall be included in the carrying amount of the reporting unit in determining the gain or loss on disposal. [Content moved to paragraph 350-20-40-1]~~

**350-20-35-52** ~~Paragraph superseded by Accounting Standards Update 2012-04. When a portion of a reporting unit that constitutes a business (see Section 805-10-55) is to be disposed of, goodwill associated with that business shall be included in the carrying amount of the business in determining the gain or loss on disposal. [Content moved to paragraph 350-20-40-2]~~

**350-20-35-53** ~~Paragraph superseded by Accounting Standards Update 2012-04. The amount of goodwill to be included in that carrying amount shall be based on the relative fair values of the business to be disposed of and the portion of the reporting unit that will be retained. For example, if a business is being sold for \$100 and the fair value of the reporting unit excluding the business being sold is \$300, 25 percent of the goodwill residing in the reporting unit would be included in the carrying amount of the business to be sold. [Content moved to paragraph 350-20-40-3]~~

**350-20-35-54** ~~Paragraph superseded by Accounting Standards Update 2012-04. However, if the business to be disposed of was never integrated into the reporting unit after its acquisition and thus the benefits of the acquired goodwill~~

~~were never realized by the rest of the reporting unit, the current carrying amount of that acquired goodwill shall be included in the carrying amount of the business to be disposed of. [Content moved to paragraph 350-20-40-4]~~

~~**350-20-35-55** Paragraph superseded by Accounting Standards Update 2012-04. That situation might occur when the acquired business is operated as a standalone entity or when the business is to be disposed of shortly after it is acquired. [Content moved to paragraph 350-20-40-5]~~

~~**350-20-35-56** Paragraph superseded by Accounting Standards Update 2012-04. Situations in which the acquired business is operated as a standalone entity are expected to be infrequent because some amount of integration generally occurs after an acquisition. [Content moved to paragraph 350-20-40-6]~~

~~**350-20-35-57** Paragraph superseded by Accounting Standards Update 2012-04. When only a portion of goodwill is allocated to a business to be disposed of, the goodwill remaining in the portion of the reporting unit to be retained shall be tested for impairment in accordance with paragraphs 350-20-35-3A through 35-19 using its adjusted carrying amount. [Content moved to paragraph 350-20-40-7]~~

## **Derecognition**

### **> Disposal of All or a Portion of a Reporting Unit**

**350-20-40-1** When a reporting unit is to be disposed of in its entirety, goodwill of that reporting unit shall be included in the carrying amount of the reporting unit in determining the gain or loss on disposal. **[Content amended as shown and moved from paragraph 350-20-35-51]**

**350-20-40-2** When a portion of a reporting unit that constitutes a business (see Section 805-10-55) is to be disposed of, goodwill associated with that business shall be included in the carrying amount of the business in determining the gain or loss on disposal. **[Content moved from paragraph 350-20-35-52]**

**350-20-40-3** The amount of goodwill to be included in that carrying amount shall be based on the relative fair values of the business to be disposed of and the portion of the reporting unit that will be retained. For example, if a business is being sold for \$100 and the fair value of the reporting unit excluding the business being sold is \$300, 25 percent of the goodwill residing in the reporting unit would be included in the carrying amount of the business to be sold. **[Content moved from paragraph 350-20-35-53]**

**350-20-40-4** However, if the business to be disposed of was never integrated into the reporting unit after its acquisition and thus the benefits of the acquired goodwill were never realized by the rest of the reporting unit, the current carrying amount of that acquired goodwill shall be included in the carrying amount of the business to be disposed of. **[Content moved from paragraph 350-20-35-54]**

**350-20-40-5** That situation might occur when the acquired business is operated as a standalone entity or when the business is to be disposed of shortly after it is acquired. **[Content moved from paragraph 350-20-35-55]**

**350-20-40-6** Situations in which the acquired business is operated as a standalone entity are expected to be infrequent because some amount of integration generally occurs after an acquisition. **[Content moved from paragraph 350-20-35-56]**

**350-20-40-7** When only a portion of goodwill is allocated to a business to be disposed of, the goodwill remaining in the portion of the reporting unit to be retained shall be tested for impairment in accordance with paragraphs 350-20-35-3A through 35-19 using its adjusted carrying amount. **[Content moved from paragraph 350-20-35-57]**

## **Property, Plant, and Equipment—Overall**

### **Subsequent Measurement**

#### **Impairment or Disposal of Long-Lived Assets**

**360-10-35-39** The carrying amounts of any assets that are not covered by this Subtopic, including goodwill, that are included in a disposal group classified as held for sale shall be adjusted in accordance with other applicable GAAP prior to measuring the fair value less cost to sell of the disposal group. Paragraphs 350-20-40-13350-20-35-54 through 40-735-57 provide guidance for allocating goodwill to a lower-level asset group to be disposed of that is part of a reporting unit and that constitutes a business. Goodwill is not included in a lower-level asset group to be disposed of that is part of a reporting unit if it does not constitute a business.

## **Amendments to Topic 715**

182. The following amendment moves the guidance on accounting and disclosure requirements for plans with characteristics of both a defined contribution and a defined benefit plan from the Subsequent Measurement

Section of Subtopic 715-70, Compensation—Retirement Benefits—Defined Contribution Plans, to the Scope and Scope Exceptions Section of that Subtopic. Additionally, this amendment creates references to the guidance in Subtopics 715-30, Compensation—Retirement Benefits—Defined Benefit Plans—Pension, and 715-60, Compensation—Retirement Benefits—Defined Benefit Plans—Other Postretirement. The guidance in paragraph 715-70-35-2 is scope guidance and is more appropriate in the Scope and Scope Exceptions Section in 715-70-15 than in its current placement in the Subsequent Measurements Section.

183. Add paragraphs 715-30-15-4A, 715-60-15-9A, and 715-70-15-2 and their related headings, and supersede paragraph 715-70-35-2 and its related heading, with no link to a transition paragraph, as follows:

## **Compensation—Retirement Benefits—Defined Benefit Plans—Pension**

### **Scope and Scope Exceptions**

#### **> Plans with Characteristics of both a Defined Contribution and a Defined Benefit Plan**

**715-30-15-4A** See paragraph 715-70-15-2 for guidance for plans with characteristics of both a defined contribution and a defined benefit plan.

## **Compensation—Retirement Benefits—Defined Benefit Plans—Other Postretirement**

### **Scope and Scope Exceptions**

#### **> Plans with Characteristics of both a Defined Contribution and a Defined Benefit Plan**

**715-60-15-9A** See paragraph 715-70-15-2 for guidance for plans with characteristics of both a defined contribution and a defined benefit plan.

## Compensation—Retirement Benefits—Defined Contribution Plans

### Scope and Scope Exceptions

#### > Plans with Characteristics of ~~Both~~both a Defined Contribution and a Defined Benefit Plan

**715-70-15-2** A pension or other postretirement benefit plan having characteristics of both a defined benefit plan and a **defined contribution plan** requires careful analysis. If the substance of the plan is to provide a defined benefit, as may be the case with some target benefit plans, the accounting requirements shall be determined in accordance with the provisions of Subtopic 715-30 or 715-60 applicable to a defined benefit plan and the disclosure requirements shall be determined in accordance with the provisions of paragraphs 715-20-50-1 and 715-20-50-5. [Content amended as shown and moved from paragraph 715-70-35-2]

### Subsequent Measurement

#### ~~> Plans with Characteristics of Both a Defined Contribution and a Defined Benefit Plan~~

~~**715-70-35-2** Paragraph superseded by Accounting Standards Update 2012-04. A pension or other postretirement benefit plan having characteristics of both a defined benefit plan and a **defined contribution plan** requires careful analysis. If the substance of the plan is to provide a defined benefit, as may be the case with some target benefit plans, the accounting requirements shall be determined in accordance with the provisions of Subtopic 715-30 or 715-60 applicable to a defined benefit plan and the disclosure requirements shall be determined in accordance with the provisions of paragraphs 715-20-50-1 and 715-20-50-5. [Content amended and moved to paragraph 715-70-15-2]~~

## Amendments to Topic 944

184. The following amendment moves the guidance from the Implementation Guidance and Illustrations Section of Subtopic 944-825, Financial Services—Insurance—Financial Instruments, to the Disclosure Section. The moved guidance relates to disclosure requirements about concentrations of credit risk and was improperly codified in the Implementation Guidance and Illustrations Section of Subtopic 944-825.

185. Add paragraphs 944-825-50-1 through 50-3 and their related heading and supersede paragraphs 944-825-55-1 through 55-3 and their related headings, with no link to a transition paragraph, as follows:

## **Financial Services—Insurance—Financial Instruments**

### **Disclosure**

#### **Reinsurance Contracts**

##### **> ~~Implementation Guidance~~**

##### **>> Disclosures ~~about~~ About Concentrations of Credit Risk**

**944-825-50-1** Under the provisions of Section 825-10-50, a **ceding entity** shall disclose concentrations of credit risk associated with both of the following:

- a. **Reinsurance** receivables
- b. **Prepaid reinsurance premiums.** **[Content amended as shown and moved from paragraph 944-825-55-1]**

**944-825-50-2** Even if a ceding entity does not have a significant concentration of credit risk with a single **reinsurer**, concentration of credit risk disclosures may be required under the provisions of Section 825-10-50. **[Content moved from paragraph 944-825-55-2]**

**944-825-50-3** If a ceding entity is aware that reinsured risks have been retroceded to a diverse group of retrocessionaires, disclosures about concentrations of credit risk still shall be made under Section 825-10-50 because the assuming entity's rights under the retrocessions generally are not available to the ceding entity to mitigate its credit risk. That is, the ceding entity's concentration of credit risk from the assuming entity is unchanged. **[Content moved from paragraph 944-825-55-3]**

## **Financial Services—Insurance—Financial Instruments**

### **Implementation Guidance and Illustrations**

#### **Reinsurance Contracts**

##### **> ~~Implementation Guidance~~**

## >> Disclosures About Concentrations of Credit Risk

~~944-825-55-1 Paragraph superseded by Accounting Standards Update 2012-04. Under the provisions of Section 825-10-50, a **ceding entity** shall disclose concentrations of credit risk associated with both of the following:~~

- ~~a. **Reinsurance** receivables~~
- ~~b. **Prepaid reinsurance premiums.** [Content amended and moved to paragraph 944-825-50-1]~~

~~944-825-55-2 Paragraph superseded by Accounting Standards Update 2012-04. Even if a ceding entity does not have a significant concentration of credit risk with a single **reinsurer**, concentration of credit risk disclosures may be required under the provisions of Section 825-10-50. [Content moved to paragraph 944-825-50-2]~~

~~944-825-55-3 Paragraph superseded by Accounting Standards Update 2012-04. If a ceding entity is aware that reinsured risks have been retroceded to a diverse group of retrocessionaires, disclosures about concentrations of credit risk still shall be made under Section 825-10-50 because the assuming entity's rights under the retrocessions generally are not available to the ceding entity to mitigate its credit risk. That is, the ceding entity's concentration of credit risk from the assuming entity is unchanged. [Content moved to paragraph 944-825-50-3]~~

## Amendments to Topic 954

186. The following amendment creates an Other Presentation Matters Section and moves the last sentence of paragraph 954-430-50-2 that relates to cash flow presentation requirements to the Other Presentation Matters Section.

187. Add paragraph 954-430-45-1 and amend paragraph 954-430-50-2, with no link to a transition paragraph, as follows:

### Health Care Entities—Deferred Revenue

#### Other Presentation Matters

**954-430-45-1** Amounts refunded shall be ~~disclosed~~presented in the statement of cash flows as a financing transaction. [Content amended as shown and moved from paragraph 954-430-50-2]

## Disclosure

**954-430-50-2** The gross amount of contractual refund obligations under existing contracts and the continuing care retirement community's refund policy shall be disclosed in the notes to the financial statements. ~~Amounts refunded shall be disclosed in the statement of cash flows as a financing transaction.~~ [Content moved to paragraph 954-430-45-1]

## Section B—Conforming Amendments Related to Fair Value Measurement: Amendments to the Accounting Standards Codification

### Amendments to Master Glossary

188. Amend the following Master Glossary terms, with no link to a transition paragraph, as follows:

#### Cash Flows Expected at Acquisition

The investor's estimate, at acquisition, of the amount and timing of undiscounted principal, interest, and other cash flows expected to be collected. This would be the investor's best estimate of cash flows, including the effect of prepayments if considered, that is used in determining the acquisition price, and, in a business combination, the investor's estimate of fair value for purposes of acquisition price assignment in accordance with Subtopic 805-20. One acceptable method of making this estimate is described in paragraphs 820-10-55-3F through 55-3G and 820-10-55-4 through 55-20, which provide guidance on present value techniques. ~~42 through 54 of FASB Statement of Financial Accounting Concepts No. 7, Using Cash Flow Information and Present Value in Accounting Measurements, which discusses the use of an expected cash flow approach.~~

#### Gains and Losses Included in Comprehensive Income but Excluded from Net Income

Gains and losses included in comprehensive income but excluded from net income include certain changes in fairmarket values of investments in marketable equity securities classified as noncurrent assets, certain changes in fairmarket values of investments in industries having specialized accounting practices for marketable securities, adjustments related to pension liabilities or assets recognized within other comprehensive income, and foreign currency translation adjustments. Future changes to generally accepted accounting principles (GAAP) may change what is included in this category.

## Reorganization Value

The value attributed to the reconstituted entity, as well as the expected net realizable value of those assets that will be disposed of before reconstitution occurs. Therefore, this value is viewed as the fair value of the entity before considering liabilities and approximates the amount a willing buyer would pay for the assets of the entity immediately after the restructuring.

189. Supersede the following Master Glossary terms, with no link to a transition paragraph, as follows:

### ~~Current Market Value~~

~~The amount of cash, or its equivalent, expected to be derived from the sale of an asset net of costs required to be incurred as a result of the sale.~~

**[Note about the definitions of fair value:** Throughout this Update, we refer in our amendment instructions to remove or add a link to the first glossary definition, second glossary definition, or third glossary definition of fair value. The first definition originates from FASB Statement No. 123 (revised 2004), *Share-Based Payment*, the second definition originates from AICPA Statement of Position 92-6, *Accounting and Reporting by Health and Welfare Benefit Plans*, and the third definition originates from FASB Statement No. 157, *Fair Value Measurements*. The second definition is deleted.]

### Fair Value

~~The fair value of an investment is the amount that the plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Fair value shall be measured by the market price if there is an active market for the investment. If there is no active market for the investment but there is a market for similar investments, selling prices in that market may be helpful in estimating fair value. If a market price is not available, a forecast of expected cash flows, discounted at a rate commensurate with the risk involved, may be used to estimate fair value. The fair value of an investment shall be reported net of the brokerage commissions and other costs normally incurred in a sale.~~

## Amendments to Topic 230

190. Amend paragraph 230-10-15-4, with no link to a transition paragraph, as follows:

## Statement of Cash Flows—Overall

### Scope and Scope Exceptions

**230-10-15-4** The guidance in this Topic does not apply to the following entities:

- a. A statement of cash flows is not required to be provided by a defined benefit pension plan that presents financial information in accordance with the provisions of Topic 960. Other employee benefit plans that present financial information similar to that required by Topic 960 (including the presentation of plan investments at fair value) also are not required to provide a statement of cash flows. Employee benefit plans are encouraged to include a statement of cash flows with their annual financial statements when that statement would provide relevant information about the ability of the plan to meet future obligations (for example, when the plan invests in assets that are not highly liquid or obtains financing for investments).
- b. Provided that the conditions in (c) are met, a statement of cash flows is not required to be provided by the following entities:
  1. An investment company that is subject to the registration and regulatory requirements of the Investment Company Act of 1940
  2. An investment company that has essentially the same characteristics as those subject to the Investment Company Act of 1940
  3. A common trust fund, variable annuity account, or similar fund maintained by a bank, insurance entity, or other entity in its capacity as a trustee, administrator, or guardian for the collective investment and reinvestment of moneys.
- c. For an investment company specified in (b) to be exempt from the requirement to provide a statement of cash flows, all of the following conditions must be met:
  1. ~~Subparagraph superseded by Accounting Standards Update 2012-04. During the period, substantially all of the entity's investments were highly liquid (for example, marketable securities, and other assets for which a market is readily available).~~
  2. ~~During the period, substantially all of the entity's investments were carried at market value. Securities for which market value is determined using matrix pricing techniques would meet this condition. Other securities for which market value is not readily determinable and for which fair value must be determined in good faith by the board of directors would not.~~ **carried at {add glossary link to 3<sup>rd</sup> definition} fair value {add glossary link to 3<sup>rd</sup> definition} and classified as Level 1 or Level 2 measurements in accordance with Topic 820.**

3. The entity had little or no debt, based on the average debt outstanding during the period, in relation to average total assets. For the purpose of determining average debt outstanding, obligations resulting from redemptions of shares by the entity from unsettled purchases of securities or similar assets, or from covered options written generally may be excluded. However, any extension of credit by the seller that is not in accordance with standard industry practices for redeeming shares or for settling purchases of investments shall be included in average debt outstanding.
4. The entity provides a statement of changes in net assets.

191. Amend paragraph 230-10-45-21, with no link to a transition paragraph, as follows:

### Other Presentation Matters

**230-10-45-21** Some loans are similar to securities in a trading account in that they are originated or purchased specifically for resale and are held for short periods of time. Cash receipts and cash payments resulting from acquisitions and sales of loans also shall be classified as operating cash flows if those loans are acquired specifically for resale and are carried at **{add glossary link to 3<sup>rd</sup> definition} fair value** ~~market value~~ or at the lower of cost or ~~fair market~~ value. For example, mortgage loans held for sale are required to be reported at the lower of cost or ~~fair market~~ value in accordance with Topic 948.

### Amendments to Topic 255

192. Amend paragraph 255-10-50-36, with no link to a transition paragraph, as follows:

### Changing Prices—Overall

#### Disclosure

##### > > Recoverable Amount

**255-10-50-36** Recoverable amount may be measured by considering the **value in use** or **{add glossary link to 3<sup>rd</sup> definition} fair value** ~~current market value~~ less costs to sell of the asset concerned. Value in use is used to determine recoverable amount of an asset if immediate

sale of the asset is not intended. ~~Fair~~Current market value less costs to sell is used to determine **recoverable amount** only if the asset is about to be sold.

193. Amend paragraph 255-10-55-2, with no link to a transition paragraph, as follows:

## Implementation Guidance and Illustrations

### > > > Trading Account Investments in Fixed-income Securities Owned by Banks, Investment Brokers, and Others

**255-10-55-2** Trading account securities are securities of all types carried in a dealer trading account that are held principally for resale to customers. The predominant practice by banks is to carry these securities at ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~~~market value~~. Trading account investments include both fixed-income securities (for example, nonconvertible preferred stock, convertible bonds, and other bonds) and other securities (for example, common stock). Usually, trading account securities are held for extremely short periods of time—sometimes for only a few hours. Frequently, the entity buys and sells the securities expecting to make a profit on the difference between dealer and retail, or bid and ask, prices rather than on price changes during the period securities are held. However, the prices of the securities change with market forces.

## Amendments to Subtopic 275-10

194. Amend paragraph 275-10-05-6, with no link to a transition paragraph, as follows:

## Risks and Uncertainties—Overall

### Overview and Background

#### > Use of Estimates in the Preparation of Financial Statements

**275-10-05-6** There is a need to communicate explicitly to users of financial reports that the inescapable use of estimates in the preparation of financial information, including the estimation of ~~{add glossary link to 3<sup>rd</sup> definition}~~fair values~~{add glossary link to 3<sup>rd</sup> definition}~~~~fair and, in some cases, market values~~ for assets carried at such ~~a basis~~bases, results in the reporting of values that are approximations rather than exact amounts. If users understand better the

inherent limitations on precision in financial statements, they will be better able to make decisions.

## Amendments to Topic 310

195. Amend paragraphs 310-10-30-4 through 30-6, with no link to a transition paragraph, as follows:

### Receivables—Overall

#### Initial Measurement

##### > > Notes Exchanged for Property, Goods, or Services

**310-10-30-3** As indicated in paragraph 835-30-25-8, notes exchanged for property, goods, or services are valued and accounted for at the present value of the consideration exchanged between the contracting parties at the date of the transaction in a manner similar to that followed for a cash transaction.

**310-10-30-4** As indicated in paragraph 835-30-25-2, if determinable, the established exchange price (which, presumably, is the same as the price for a cash sale) of property, goods, or services acquired or sold in consideration for a note may be used to establish the present value of the note. That paragraph explains that, when notes are traded in an open market, the market rate of interest and quoted prices~~market value~~ of the notes provide the evidence of the present value. That paragraph notes that these methods are preferable means of establishing the present value of the note.

**310-10-30-5** As indicated in paragraph 835-30-25-10, in circumstances where interest is not stated, the stated amount is unreasonable, or the stated face amount of the note is materially different from the current cash sales price for the same or similar items or from the **{add glossary link to 3<sup>rd</sup> definition}**~~fair value~~**{add glossary link to 3<sup>rd</sup> definition}**~~market value~~ of the note at the date of the transaction, the note, the sales price, and the cost of the property, goods, or services exchanged for the note shall be recorded at the **{remove glossary link}**~~fair value~~**{remove glossary link}** of the property, goods, or services or at an amount that reasonably approximates the ~~fair~~~~market~~ value of the note, whichever is the more clearly determinable.

**310-10-30-6** Paragraph 835-30-25-11 explains that, in the absence of established exchange prices for the related property, goods, or services or evidence of the ~~fair~~~~market~~ value of the note (as described in paragraph 835-30-25-2), the present value of a note that stipulates either no interest or a rate of interest that is clearly unreasonable shall be determined by discounting all future payments on the notes using an imputed rate of interest as described in Subtopic 835-30. Paragraph 835-30-25-11 explains that this determination shall be made

at the time the note is acquired; any subsequent changes in prevailing interest rates shall be ignored.

196. Amend paragraphs 310-20-15-3 through 15-4, with no link to a transition paragraph, as follows:

## **Receivables—Nonrefundable Fees and Other Costs**

### **Scope and Scope Exceptions**

**310-20-15-3** The guidance in this Subtopic does not apply to the following transactions:

- a. Loan origination or commitment fees that are refundable; however, the guidance in this Subtopic does apply when such fees subsequently become nonrefundable.
- b. Costs that are incurred by the lender in transactions with independent third parties if the lender bills those costs directly to the borrower.
- c. Nonrefundable fees and costs associated with originating or acquiring loans that are carried at fairmarket value if the changes in fairmarket value are included in earnings of a business entity or change in net assets of a not-for-profit entity (NFP). The exclusion provided in this paragraph and the preceding paragraph-paragraph applies to nonrefundable fees and costs associated with originating loans that are reported at fairmarket value and premiums or discounts associated with acquiring loans that are reported at fairmarket value. Loans that are reported at cost or the lower of cost or fair valuemarket, loans or debt securities reported at fairmarket value with changes in fair value reported in other comprehensive income (includes financial assets subject to prepayment as defined in paragraph 860-20-35-2, and debt securities classified as available-for-sale under Topic 320), and loans that have a market interest rate, or adjust to a market interest rate, are not considered to be loans carried at fairmarket value.
- d. Fees and costs related to a commitment to originate, sell, or purchase loans that is accounted for as a derivative instrument under Subtopic 815-10.
- e. Fees and costs related to a standby commitment to purchase loans if the settlement date of that commitment is not within a reasonable period or the entity does not have the intent and ability to accept delivery without selling assets. For guidance on fees and costs related to such a commitment, see paragraph 310-10-30-7.

**> Instruments**

**310-20-15-4** The following table outlines the applicability of this Subtopic to various types of assets.

<b>Types of Assets</b>	<b>Basis of Accounting</b>	<b>Applicability of This Subtopic</b>
Loans or debt securities held in an investment portfolio	Historical or amortized cost <sup>(b)</sup>	Yes
Loans held for sale	Lower of cost or <u>fair value</u> <sup>(b)</sup> <del>market</del>	Yes
Loans or debt securities held in trading accounts by certain financial institutions	<del>Fair</del> Market value, changes in value are included in earnings	No
Loans or debt securities, available-for-sale <sup>(a)</sup>	<del>Fair</del> Market value, changes in value reported in other comprehensive income	Yes

(a) This includes financial assets subject to prepayment as defined in paragraph 310-10-35-45 and debt securities classified as available for sale under Topic 320.

(b) Entities may choose, at specified election dates, to measure eligible items at fair value (the fair value option). See Section 825-10-15 for guidance on the scope of the Fair Value Option Subsections of the Financial Instruments Topic.

197. Amend paragraph 310-30-60-2, with no link to a transition paragraph, as follows:

## **Receivables—Loans and Debt Securities Acquired with Deteriorated Credit Quality**

### **Relationships**

#### **> Debt**

**310-30-60-2** For the borrower's accounting for a participating mortgage loan if the lender is entitled to participate in appreciation in the ~~{add glossary link to 3<sup>rd</sup> definition}~~**fair value**~~{add glossary link to 3<sup>rd</sup> definition}~~market value of the mortgaged real estate project, the results of operations of the mortgaged real estate project, or in both, see Topic 470.

198. Amend paragraphs 310-40-35-2 and 310-40-35-6, with no link to a transition paragraph, as follows:

## **Receivables—Troubled Debt Restructurings by Creditors**

### **Subsequent Measurement**

#### **> Troubled Debt Restructuring**

**310-40-35-2** A creditor shall account for a troubled debt restructuring according to the type of the restructuring as prescribed in the following paragraphs. Paragraphs 310-40-25-1 through 25-2; 310-40-35-7; 310-40-40-2 through 40-8, and 310-40-50-1 do not apply to a receivable that the creditor is accounting for at ~~{add glossary link to 3<sup>rd</sup> definition}~~**fair value**~~{add glossary link to 3<sup>rd</sup> definition}~~market value in accordance with the specialized industry practice (for example, a marketable **debt** security accounted for at ~~fair~~market value by a mutual fund). Estimated cash expected to be received less estimated costs expected to be incurred is not ~~fair~~market value in accordance with specialized industry practice as that term is used in this paragraph.

#### **> Partial Satisfaction of a Receivable**

**310-40-35-6** In a partial satisfaction of a receivable (see the following paragraph), the ~~{remove glossary link}~~**fair value**~~{remove glossary link}~~ of the assets received shall be used in all cases to avoid the need to allocate the fair value of the receivable between the part satisfied and the part still outstanding.

## Amendments to Topic 320

199. Amend paragraph 320-10-15-3, with no link to a transition paragraph, as follows:

### **Investments—Debt and Equity Securities—Overall**

#### **Scope and Scope Exceptions**

**320-10-15-3** The guidance in this Topic does not apply to the following entities:

- a. Entities in certain specialized industries. Entities whose specialized accounting practices include accounting for substantially all investments in **debt securities** and **equity securities** at ~~market value or~~ fair value, with changes in value recognized in earnings (income) or in the change in net assets. Examples of those entities are:
  1. Brokers and dealers in securities
  2. Defined benefit pension and other postretirement plans
  3. Investment companies.

200. Amend paragraph 320-10-35-38, with no link to a transition paragraph, as follows:

#### **Subsequent Measurement**

##### **> Income Recognition for Certain Structured Notes**

**320-10-35-38** This guidance addresses the accounting for certain structured notes that are in the form of debt securities, but does not apply to any of the following:

- a. Mortgage loans or other similar debt instruments that do not meet the definition of a security under this Subtopic
- b. Traditional convertible bonds that are convertible into the stock of the issuer
- c. Multicurrency debt securities
- d. Debt securities classified as trading
- e. Subparagraph not used
- f. Debt securities participating directly in the results of an issuer's operations (for example, participating mortgages or similar instruments)
- g. Reverse mortgages
- h. **Structured note** securities that, by their terms, suggest that it is reasonably possible that the entity could lose all or substantially all of its

original investment amount (for other than failure of the borrower to pay the contractual amounts due). (Such securities shall be subsequently measured at fair value~~marked-to-market~~ with all changes in fair value reported in earnings.)

Also, this guidance shall be applied to those beneficial interests involving securitized financial assets that do not involve contractual cash flows.

201. Amend paragraphs 320-10-40-1 through 40-2, with no link to a transition paragraph, as follows:

## **Derecognition**

### **> Accounting for Sales of Securities**

**320-10-40-1** Section 860-10-40 provides guidance on determining whether a transfer of **securities** shall be accounted for as a sale. With respect to **trading securities**, because all changes in a trading security's **fair value** are reported in earnings as they occur, the sale of a trading security does not necessarily give rise to a gain or loss. Generally, a debit to cash (or trade date receivable) is recorded for the sales proceeds, and a credit is recorded to remove the security at its fair value (or sales price). If the entity is not taxed on the changes in fair value~~a mark-to-market basis~~, the deferred tax accounts would be adjusted. Some adjustment to this procedure will be necessary for entities that have not yet recorded the security's change in fair value up to the point of sale (perhaps because fair value changes are recorded at the end of each day).

**320-10-40-2** Although entities have different bookkeeping methods for **available-for-sale securities**, generally, a sale of an available-for-sale security shall be recorded by a debit to cash (or trade date receivable) for the sales proceeds, and a credit to remove the security at its fair value (or sales price). The amount recorded in other comprehensive income, representing the unrealized gain or loss at the date of sale, is reversed into earnings, and the deferred tax accounts are adjusted. Some adjustment to this procedure will be necessary for entities that have not yet recorded the security's change in fair value up to the point of sale (perhaps because fair value changes are recorded at the end of each interim period) or when write-downs for other-than-temporary impairment have been recognized.

202. Amend paragraph 320-10-55-23, with no link to a transition paragraph, as follows:

## Implementation Guidance and Illustrations

**320-10-55-23** Following are illustrative narrative disclosures that would follow the illustrative table.

U.S. Treasury obligations. The unrealized losses on Entity A's investments in U.S. Treasury obligations and direct obligations of U.S. government agencies were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because Entity A does not intend to sell the investments and it is not more likely than not that Entity A will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, Entity A does not consider those investments to be other-than-temporarily impaired at December 31, 20X3.

Federal agency mortgage-backed securities. The unrealized losses on Entity A's investment in federal agency mortgage-backed securities were caused by interest rate increases. Entity A purchased those investments at a discount relative to their face amount, and the contractual cash flows of those investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of Entity A's investments. Because the decline in ~~fair market~~ value is attributable to changes in interest rates and not credit quality, and because Entity A does not intend to sell the investments and it is not more likely than not that Entity A will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, Entity A does not consider those investments to be other-than-temporarily impaired at December 31, 20X3.

**[The remainder of this paragraph is not included because it is unchanged.]**

## Amendments to Subtopic 323-10

203. Amend paragraphs 323-10-55-34, 323-10-55-36, 323-10-55-38, 323-10-55-40, 323-10-55-42, and 323-10-55-44, with no link to a transition paragraph, as follows:

## Investments—Equity Method and Joint Ventures—Overall

### Implementation Guidance and Illustrations

**323-10-55-34** Investor would make all of the following entries in 20X1:

[Paragraph 323-10-55-34(a) through (b) is not included because it is unchanged.]

- c. In accordance with Subtopic 320-10, record the changes in fair value~~mark-to-market adjustment~~ for the available-for-sale preferred stock investment (market price of \$90 less the carrying amount after entry [a] of \$20, equals \$70 unrealized gain).

Preferred stock investment	\$	70	
Unrealized gain—other comprehensive income			\$ 70

**323-10-55-36** Investor would make both of the following entries in 20X2:

[Paragraph 323-10-55-36(a) is not included because it is unchanged.]

- b. In accordance with Subtopic 320-10, record the changes in fair value~~mark-to-market adjustment~~ for the available-for-sale preferred stock investment (market price of \$90 less the carrying amount after entry [a] of \$70, equals \$20 unrealized gain).

Preferred stock investment	\$	20	
Unrealized gain—other comprehensive income			\$ 20

**323-10-55-38** In 20X3, there is no equity method income or loss ( $40\% \times \$0 = \$0$ ). Investor would make both of the following entries in 20X3:

- a. Because the adjusted basis of the loan was reduced to zero in 20X2 as a result of applying equity method losses to the loan, no entry is needed to reflect the Subtopic 310-10 reduction in carrying amount from \$95 to \$60.
- b. In accordance with Subtopic 320-10, record the changes in fair value~~mark-to-market adjustment~~ for the available-for-sale preferred stock investment (market price of \$50 less the carrying amount of \$90 equals \$40 unrealized loss).

Unrealized loss—other comprehensive income	\$ 40	
Preferred stock investment		\$ 40

**323-10-55-40** Investor would make both of the following entries in 20X4:

**[Paragraph 323-10-55-40(a) is not included because it is unchanged.]**

- b. In accordance with Subtopic 320-10, record the changes in fair value~~mark-to-market adjustment~~ for the available-for-sale preferred stock investment (market price of \$90 less the carrying amount of \$70 equals \$20 unrealized gain).

Preferred stock investment	\$ 20	
Unrealized gain—other comprehensive income		\$ 20

**323-10-55-42** In 20X5, there is no equity method income or loss ( $40\% \times \$0 = \$0$ ). Investor would make both of the following entries in 20X5:

**[Paragraph 323-10-55-42(a) is not included because it is unchanged.]**

- b. In accordance with Subtopic 320-10, record the changes in fair value~~mark-to-market adjustment~~ for the available-for-sale preferred stock investment (market price of \$55 less the carrying amount of \$90 equals \$35 unrealized loss).

Unrealized loss—other comprehensive income	\$ 35	
Preferred stock investment		\$ 35

**323-10-55-44** In 20X6, there is no equity method income or loss ( $40\% \times \$0 = \$0$ ). Investor would make both of the following entries in 20X6:

**[Paragraph 323-10-55-44(a) is not included because it is unchanged.]**

- b. In accordance with Subtopic 320-10, record the changes in fair value~~mark-to-market adjustment~~ for the available-for-sale preferred stock investment (market price of \$90 less the carrying amount of \$55 equals \$35 unrealized gain).

Preferred stock investment	\$ 35	
Unrealized gain—other comprehensive income		\$ 35

## Amendments to Subtopic 325-20

204. Amend paragraph 325-20-25-2, with no link to a transition paragraph, as follows:

### Investments—Other—Cost Method Investments

#### Recognition

**325-20-25-2** Paragraph 325-20-35-1A states that an adaptation of the cost method, the lower of cost or fair value~~market~~, has also been followed for investments in certain marketable securities if a decline in fair~~market~~ value is considered to be an other-than-temporary impairment~~evidently not a mere temporary condition~~.

205. Amend paragraph 325-20-35-1A, with no link to a transition paragraph, as follows:

#### Subsequent Measurement

##### > Impairment

**325-20-35-1A** An adaptation of the cost method, the lower of cost or fair value~~market~~, has also been followed for investments in certain marketable securities if a decline in fair~~market~~ value is considered to be an other-than-temporary impairment~~evidently not a mere temporary condition~~.

## Amendments to Subtopic 350-20

206. Amend paragraphs 350-20-35-25 through 35-26, with no link to a transition paragraph, as follows:

## Intangibles—Goodwill and Other—Goodwill

### Subsequent Measurement

#### > > Deferred Income Tax Considerations

**350-20-35-25** Before estimating the fair value of a reporting unit, an entity shall determine whether that estimation should be based on an assumption that the reporting unit could be bought or sold in a nontaxable transaction or a taxable transaction. Making that determination is a matter of judgment that depends on the relevant facts and circumstances and must be evaluated carefully on a case-by-case basis (see Examples 1 through 2 [paragraphs 350-20-55-10 through 55-23]).

**350-20-35-26** In making that determination, an entity shall consider all of the following:

- a. Whether the assumption is consistent with those that marketplace participants would incorporate into their estimates of fair value
- b. The feasibility of the assumed structure
- c. Whether the assumed structure results in the highest and best use and would provide maximum economic value to the seller for the reporting unit, including consideration of related tax implications.

207. Amend paragraphs 350-20-55-13 and 350-20-55-20, with no link to a transition paragraph, as follows:

### Implementation Guidance and Illustrations

**350-20-55-13** In Step 1 of the impairment test in paragraphs 350-20-35-4 through 35-8, Entity A concludes that market participants would act in their economic best interest by selling highest economic value from Reporting Unit by selling it in a nontaxable transaction based on the following evaluation of its expected after-tax proceeds.

	<u>Nontaxable</u>	<u>Taxable</u>
Gross proceeds (fair value)	\$ 80	\$ 90
Less: taxes arising from transaction	<u>(10)</u>	<u>(22)</u>
<u>Value Economic value to Entity A</u>	<u>\$ 70</u>	<u>\$ 68</u>

**350-20-55-20** In Step 1 of the impairment test in paragraphs 350-20-35-4 through 35-8, Entity A concludes that market participants would act in their economic best

~~interest by selling highest economic value from Reporting Unit by selling it in a taxable transaction. This conclusion was based on the following evaluation of economic value.~~

	<b>Nontaxable Transaction</b>	<b>Taxable Transaction</b>
Gross proceeds (fair value)	\$ 65	\$ 80
Less: taxes arising from transaction	(4)	(18)
<u>Value Economic value to Entity A</u>	<u>\$ 61</u>	<u>\$ 62</u>

## Amendments to Subtopic 360-20

208. Amend paragraphs 360-20-15-4 through 15-5 and 360-20-15-7 through 15-8, with no link to a transition paragraph, as follows:

### Property, Plant, and Equipment—Real Estate Sales

#### Scope and Scope Exceptions

**360-20-15-4** The determination of whether equipment is integral equipment shall be based on the significance of the cost to remove the equipment from its existing location (which would include the cost of repairing damage done to the existing location as a result of the removal), combined with the decrease in the ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~value of the equipment as a result of that removal.

**360-20-15-5** At a minimum, the decrease in the fair value of the equipment as a result of its removal is the estimated cost to ship and reinstall the equipment at a new site. If there are multiple potential users of the leased equipment, the estimate of the fair value of the equipment as well as the costs to ship and install the equipment shall assume that the equipment will be sold to the potential user that would result in the greatest net cash proceeds to the seller (current lessor).

**360-20-15-7** When the combined total of both the cost to remove plus the decrease in fair value (for leasing transactions, the information used to estimate those costs and the decrease in fair value shall be as of lease inception) exceeds 10 percent of the fair value of the equipment (installed) (for leasing transactions, at lease inception), the equipment is integral equipment.

**360-20-15-8** The phrase *cannot be removed and used separately without incurring significant cost* contains both of the following distinct concepts:

- a. The ability to remove the equipment without incurring significant cost
- b. The ability of a different entity to use the equipment at another location without significant diminution in utility or fair value.

## Amendments to Topic 410

209. Amend paragraphs 410-20-55-27 and 410-20-55-66, with no link to a transition paragraph, as follows:

### **Asset Retirement and Environmental Obligations—Asset Retirement Obligations**

#### **Implementation Guidance and Illustrations**

**410-20-55-27** If the asset is subsequently replaced, with the obligation being transferred to the producer of the replacement equipment, the commercial user should determine the portion of the total amount paid to the producer that relates to the replacement equipment (the new asset) and the portion that relates to the transfer of the asset retirement obligation. That determination should be based on the **{add glossary link to 3<sup>rd</sup> definition}fair value{add glossary link to 3<sup>rd</sup> definition}** of the asset retirement obligation, ~~without the sale of the new asset obligation (that is, the amount at which the obligation, without the sale of the new asset, could be exchanged in a current transaction between knowledgeable, unrelated willing parties).~~ The price paid by the commercial user would not include any costs associated with the transfer of the obligation in situations in which the law in the EU-member country obligates commercial users to pay all of the costs associated with the historical waste even if the equipment is replaced. In those situations, the commercial user would not derecognize the liability from its balance sheet upon replacement, but rather when the obligation is ultimately settled.

**410-20-55-66** The waste management obligation remains with the commercial user until the historical waste equipment is replaced or is disposed of by the commercial user itself. Assuming the equipment is replaced, the entity should determine the portion of the purchase price that relates to the cost of the replacement asset and the portion that relates to the assumption of the obligation by the producer. That determination should be based on the fair value of the obligation, without the sale of the new asset. ~~the amount at which the obligation, without the sale of the new asset, could be exchanged in a current transaction between knowledgeable, unrelated willing parties.~~ The entity should recognize a gain or loss based on the difference between the carrying amount of the liability at the date of the sale and the portion of the sales price that relates to the obligation. The producer should recognize revenue for the total amount received, reduced by the fair value of the obligation, and recognize a liability for the fair value of the obligation upon transfer of the obligation from the commercial user. Assuming the equipment is disposed of by the entity rather than replaced, the entity should recognize a gain or loss based on the difference between the carrying amount of the liability at the date of the disposal and the actual cost of

disposal. See paragraphs 820-10-55-77 through 55-81 for an illustration of an entity required to estimate the fair value of an asset retirement obligation.

210. Amend paragraph 410-30-35-10, with no link to a transition paragraph, as follows:

## **Asset Retirement and Environmental Obligations— Environmental Obligations**

### **Subsequent Measurement**

410-30-35-10 The amount of a potential recovery is measured based on available information and the specific situation (see paragraph 410-30-30-15). As indicated in paragraphs 410-30-30-12 through 30-15, measurement of a potential recovery ~~Fair value shall be used to measure the amount of a potential recovery.~~ The concept of fair value requires consideration of both transaction costs related to the receipt of the recovery. ~~recovery (see paragraphs 410-30-30-12 through 30-15)~~ The time value of money shall be considered in the measurement of a potential recovery when the measurement of the liability considers ~~and~~ the time value of money.

## **Amendments to Subtopic 460-10**

211. Amend paragraphs 460-10-55-15 through 55-16 and related heading, with no link to a transition paragraph, as follows:

### **Guarantees—Overall**

#### **Implementation Guidance and Illustrations**

**460-10-55-15** A community foundation has a loan guarantee program to assist not-for-profit entities (NFPs) in obtaining bank financing at a reasonable cost. Under that program, the community foundation issues a guarantee of an NFP's bank debt. That guarantee is within the scope of this Topic, and on the issuance of the guarantee, the community foundation would recognize a liability for the ~~{add glossary link to 3<sup>rd</sup> definition}~~ fair value ~~{add glossary link to 3<sup>rd</sup> definition}~~ of that guarantee. The issuance of that guarantee would not be considered merely a conditional promise to give under paragraphs 958-605-25-11 through 25-13 because, upon the issuance of the guarantee, the NFP will have received the gift of the community foundation's credit support. That credit support enables the NFP to obtain a lower interest rate on its borrowing.

**> > Scope Guidance—Guarantees Outside the Scope of This Topic Entirely**

**> > > Not of the Types Described**

**460-10-55-16** The following are examples of contracts that are outside the scope of this Topic because they are not of any of the types described in paragraph 460-10-15-4:

- a. **Commercial letters of credit** and other loan commitments, which are commonly thought of as guarantees of funding, are not included in the scope of this Topic because those instruments do not guarantee payment of a money obligation and do not provide for payment in the event of default by the account party.
- b. A noncontingent forward contract for which net settlement could involve a net settlement payment from either party is not included in the scope of this Topic. However, as discussed in paragraph 460-10-55-9, a contingent forward contract may meet one of the characteristics in paragraph 460-10-15-4 and be included in the scope of this Topic.
- c. A guarantee provision in a financial instrument that is commonly thought of as a market value guarantee of the other terms of that same financial instrument is not within the scope of this Topic unless that guarantee provision is accounted for separately as a derivative under Topic 815 (see paragraph 460-10-25-1(a)). For example, a put option that is embedded in a puttable bond (but is not accounted for separately as a derivative) could be viewed by the investor (the guaranteed party) as a guarantee against the ~~fair market~~ value of the remaining instrument (a bond absent the put option) declining below the put price. The embedded put option does not meet the characteristic in paragraph 460-10-15-4(a) because the guaranteed party's asset is an investment in the entire contract, a puttable bond, and not an investment in a nonputtable bond. However, as noted in paragraph 460-10-55-6, if the investor purchased a freestanding put option on a nonputtable bond and accounted for them separately, that guarantee would be within the scope of this Topic.
- d. An arrangement, such as a securitization, that involves the subordination of the rights of some investors (or creditors) to the rights of others is commonly thought of as a guarantee issued by the subordinated investors. For example, the investors in one (subordinated) class or tranche of an entity's securities might not receive any cash flows until the investors in another (priority) class or tranche are fully paid. Although that type of subordination provides credit protection by the subordinated investors, it does not meet any of the characteristics in paragraph 460-10-15-4 and, thus, is not included in the scope of this Topic.

- e. A written option that does not directly guarantee another entity's performance or the fair value of the guaranteed party's assets (such as a **weather derivative**) is not included in the scope of this Topic unless that written option is used as an indirect guarantee of the indebtedness of others.
- f. A take-or-pay contract is not included in the scope of this Topic because the minimum payments under a take-or-pay contract are not contingent. A take-or-pay contract requires certain minimum payments irrespective of whether the buyer accepts delivery. Even if a take-or-pay contract were analyzed as though it were a guarantee by the buyer to pay for the portion of the minimum quantity of product or output of the guaranteed party for which the buyer refuses to order or accept delivery, a take-or-pay contract would not be included in the scope of this Topic because it would be a guarantee related to the buyer's future performance under the contract. (Take-or-pay contracts are further discussed in the Unconditional Purchase Obligations Subsections of Subtopic 440-10.)
- g. A weather derivative is not included in the scope of this Topic because the climatic or geological variable is not an asset or liability of the guaranteed party. The characteristic in paragraph 460-10-15-4(a) requires payments to be based on changes in an underlying that is related only to an asset or liability of the guaranteed party.

## Amendments to Topic 470

212. Amend paragraphs 470-20-05-5 through 05-6, with no link to a transition paragraph, as follows:

### Debt—Debt with Conversion and Other Options

#### Overview and Background

**470-20-05-5** Convertible debt may offer advantages to both the issuer and the purchaser. From the point of view of the issuer, convertible debt has a lower interest rate than does nonconvertible debt. Furthermore, the issuer of convertible debt securities, in planning its long-range financing, may view convertible debt as essentially a means of raising equity capital. Thus, if the ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~~~market value~~ of the underlying common stock increases sufficiently in the future, the issuer can force conversion of the convertible debt into common stock by calling the issue for redemption. Under these market conditions, the issuer can effectively terminate the conversion option and eliminate the debt. If the ~~fair~~~~market~~ value of the stock does not increase sufficiently to result in conversion of the debt, the issuer will have received the benefit of the cash proceeds to the scheduled maturity dates at a relatively low cash interest cost.

**470-20-05-6** On the other hand, the purchaser obtains an option to receive either the face or redemption amount of the security or the number of common shares into which the security is convertible. If the ~~fair~~market value of the underlying common stock increases above the conversion price, the purchaser (either through conversion or through holding the convertible debt containing the conversion option) benefits through appreciation. The purchaser may at that time require the issuance of the common stock at a price lower than the ~~fair value~~current market price. However, should the ~~fair~~value of the underlying common stock not increase in the future, the purchaser has the protection of a debt security. Thus, in the absence of default by the issuer, the purchaser would receive the principal and interest if the conversion option is not exercised.

213. Amend paragraph 470-20-25-11, with no link to a transition paragraph, as follows:

## Recognition

**470-20-25-11** The terms of convertible debt instruments addressed by the guidance in the following paragraph generally include all of the following:

- a. An interest rate that is lower than the issuer could establish for nonconvertible **debt**
- b. An initial conversion price that is greater than the ~~fair~~market value of the common stock at time of issuance
- c. A conversion price that does not decrease except pursuant to antidilution provisions.

In most circumstances, convertible debt instruments also are callable at the option of the issuer and are subordinated to nonconvertible debt.

214. Amend paragraphs 470-20-55-1, 470-20-55-3 through 55-4, and 470-20-55-6 and their related headings, with no link to a transition paragraph, as follows:

## Implementation Guidance and Illustrations

### > Illustrations

#### > > Example 1: Induced Conversions of Convertible Securities

**470-20-55-1** The following Cases illustrate application of the guidance in paragraph 470-20-40-16 to induced conversions of convertible securities:

- a. Reduced conversion price for conversion before determination date, increase in bond ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~market value (Case A)
- b. Reduced conversion price for conversion before determination date, decrease in bond ~~fair~~market value (Case B).

**> > > Case A: Reduced Conversion Price for Conversion ~~Before~~before Determination ~~Date-Date~~—Bond ~~Fair~~Market Value Increased**

**470-20-55-3** On January 1, 19X4, Entity A issues a \$1,000 face amount 10 percent convertible bond maturing December 31, 20X3. The carrying amount of the bond in the financial statements of Entity A is \$1,000, and it is convertible into common shares of Entity A at a conversion price of \$25 per share. On January 1, 19X6, the convertible bond has a ~~fair~~market value of \$1,700. To induce convertible bondholders to convert their bonds promptly, Entity A reduces the conversion price to \$20 for bondholders that convert before February 29, 19X6 (within 60 days).

**470-20-55-4** Assuming the market price of Entity A's common stock on the date of conversion is \$40 per share, the ~~{remove glossary link}~~fair value~~{remove glossary link}~~ of the incremental consideration paid by Entity A upon conversion is calculated as follows for each \$1,000 bond that is converted before February 29, 19X6.

**[The table is not included because it is unchanged.]**

**> > > Case B: Reduced Conversion Price for Conversion ~~Before~~before Determination ~~Date-Date~~—Bond ~~Fair~~Market Value Decreased**

**470-20-55-6** On January 1, 19X1, Entity B issues a \$1,000 face amount 4 percent convertible bond maturing December 31, 20X0. The carrying amount of the bond in the financial statements of Entity B is \$1,000, and it is convertible into common shares of Entity B at a conversion price of \$25. On June 1, 19X4, the convertible bond has a ~~fair~~market value of \$500. To induce convertible bondholders to convert their bonds promptly, Entity B reduces the conversion price to \$20 for bondholders that convert before July 1, 19X4 (within 30 days).

215. Amend paragraphs 470-30-05-1, 470-30-05-4, 470-30-05-6, and 470-30-05-9, with no link to a transition paragraph, as follows:

## Debt—Participating Mortgage Loans

### Overview and Background

**470-30-05-1** This Subtopic establishes the borrower's accounting for a participating mortgage loan if the lender is entitled to participate in any of the following:

- a. Appreciation in the ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~~~market value~~ of the mortgaged real estate project
- b. The results of operations of the mortgaged real estate project.

**470-30-05-4** However, unlike a nonparticipating mortgage loan arrangement, in a participating mortgage loan, the lender participates in appreciation in the ~~fair~~market value of the mortgaged real estate project or the results of operations of the mortgaged real estate project, or in both.

**470-30-05-6** A lender may be entitled to participate in appreciation in the ~~fair~~market value of a project at any one of the following times:

- a. Upon the sale of the project
- b. At a deemed sale date
- c. At the maturity or refinancing of the loan.

**470-30-05-9** The lender's participation reduces the borrower's potential realization of operating results or gain on the sale of the real estate. However, the participation also may reduce any of the following:

- a. The contract interest the borrower is required to pay
- b. The risk that the borrower will be unable to pay interest at the stated or floating rate in the loan agreement and, consequently, the risk that the borrower will default on the loan and need to sell the property
- c. The amount of capital the borrower has at risk, because the loan-to-value ratio normally is higher.

Further, the obligation to pay the lender a share of the property appreciation does not increase the current exposure of the borrower to loss in its investment, because the participation payments are made only if the ~~fair~~market value of the property appreciates.

216. Amend paragraph 470-30-30-1, with no link to a transition paragraph, as follows:

## Initial Measurement

**470-30-30-1** If the lender is entitled to participate in appreciation in the ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~ ~~market value~~ of the mortgaged real estate project, the borrower shall determine the ~~{remove glossary link}~~fair value~~{remove glossary link}~~ (see Subtopic 820-10) of the participation feature at the inception of the loan (see paragraph ~~470-30-25-1~~~~470-30-25-4~~) for guidance on how to recognize the participation ~~feature~~.~~feature-~~

217. Amend paragraphs 470-30-35-2 and 470-30-35-4, with no link to a transition paragraph, as follows:

## Subsequent Measurement

**470-30-35-2** Interest expense on participating mortgage loans consists of the following three components:

- a. Amounts designated in the mortgage agreement as interest
- b. Amounts related to the lender's participation in results of operations
- c. Amortization of debt discount related to the lender's participation in the ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~ ~~market value~~ appreciation of the mortgaged real estate project.

**470-30-35-4** Amounts due to a lender pursuant to the lender's participation in the real estate project's results of operations (as defined in the participating mortgage loan agreement) shall be charged to interest expense in the borrower's corresponding financial reporting period, with a corresponding credit to the participation liability. At the end of each reporting period both of the following are required:

- a. The balance of the participation liability shall be adjusted to equal the ~~current~~~~{remove glossary link}~~fair value~~{remove glossary link}~~ of the participation feature.
- b. The corresponding debit or credit shall be recorded in the related debt-discount account.

218. Amend paragraph 470-30-50-1, with no link to a transition paragraph, as follows:

## Disclosure

**470-30-50-1** The borrower's financial statements shall disclose both of the following:

- a. The aggregate amount of participating mortgage obligations at the balance sheet date, with separate disclosure of the aggregate participation liabilities and related **debt** discounts
- b. Terms of the participations by the lender in either the appreciation in the **{add glossary link to 3<sup>rd</sup> definition}fair value{add glossary link to 3<sup>rd</sup> definition}**market value of the mortgaged real estate project or the results of operations of the mortgaged real estate project, or both.

## Amendments to Topic 505

219. Amend paragraphs 505-20-05-2 and 505-20-05-4, with no link to a transition paragraph, as follows:

### Equity—Stock Dividends and Stock Splits

#### Overview and Background

**505-20-05-2** Many recipients of stock dividends look upon them as distributions of corporate earnings, and usually in an amount equivalent to the **{add glossary link to 3<sup>rd</sup> definition}fair value{add glossary link to 3<sup>rd</sup> definition}** of the additional shares received. If the issuances of stock dividends are so small in comparison with the shares previously outstanding, such issuances generally do not have any apparent effect on the share market price and, consequently, the **fairmarket** value of the shares previously held remains substantially unchanged.

**505-20-05-4** If there is an increase in the **fairmarket** value of a recipient's holdings, such unrealized appreciation is not income. In the case of a **stock dividend** or **stock split**, there is no distribution, division, or severance of corporate assets. Moreover, there is nothing resulting ~~therefrom~~~~there from~~ that the shareholder can realize without parting with some of his or her proportionate interest in the corporation.

220. Amend paragraph 505-30-55-3, with no link to a transition paragraph, as follows:

## Equity—Treasury Stock

### Implementation Guidance and Illustrations

**505-30-55-3** Investment Banker, an unrelated third party, borrows 1,000,000 shares of Company A common stock from investors, becomes the owner of record of those shares, and sells the shares short to Company A on July 1, 1999, at the **{add glossary link to 3<sup>rd</sup> definition}fair value{add glossary link to 3<sup>rd</sup> definition}current market value** of \$50 per share. Company A pays \$50,000,000 in cash to Investment Banker on July 1, 1999, to settle the purchase transaction. The shares are held in treasury. Company A has legal title to the shares, and no other party has the right to vote those shares.

221. Amend paragraph 505-50-35-15, with no link to a transition paragraph, as follows:

## Equity—Equity-Based Payments to Non-Employees

### Subsequent Measurement

**505-50-35-15** Changes in fair value of the equity instruments after the measurement date unrelated to the achievement of performance conditions shall be accounted for in accordance with any relevant guidance on the accounting and reporting for investments in equity instruments, such as that in Topics 320, 323, 325, 825, and 855 ~~and 845~~.

## Amendments to Subtopic 605-25

222. Amend paragraph 605-25-30-4, with no link to a transition paragraph, as follows:

## Revenue Recognition—Multiple-Element Arrangements

### Initial Measurement

**605-25-30-4** To the extent that any separate unit of accounting in the arrangement is required by guidance included in another Topic to be recorded at **{add glossary link to 3<sup>rd</sup> definition}fair value{add glossary link to 3<sup>rd</sup> definition}** (and subsequently measured at fair value ~~marked to market~~ each reporting period thereafter), the amount allocated to that unit of accounting shall be its fair value. Under those circumstances, the remainder of arrangement consideration shall be allocated to the other units of accounting in accordance with the requirements in paragraph 605-25-30-2.

## Amendments to Topic 715

223. Amend paragraph 715-30-35-44, with no link to a transition paragraph, as follows:

### **Compensation—Retirement Benefits—Defined Benefit Plans—Pension**

#### **Subsequent Measurement**

**715-30-35-44** The preceding paragraph permits an employer to look to rates of return on high-quality fixed-income investments in determining assumed discount rates. The objective of selecting assumed discount rates using that method is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the pension benefits when due. Notionally, that single amount, the projected benefit obligation, would equal the ~~current market~~ fair value of a portfolio of high-quality zero coupon bonds whose maturity dates and amounts would be the same as the timing and amount of the expected future benefit payments. Because cash inflows would equal cash outflows in timing and amount, there would be no reinvestment risk in the yields to maturity of the portfolio. However, in other than a zero coupon portfolio, such as a portfolio of long-term debt instruments that pay semiannual interest payments or whose maturities do not extend far enough into the future to meet expected benefit payments, the assumed discount rates (the yield to maturity) need to incorporate expected reinvestment rates available in the future. Those rates shall be extrapolated from the existing yield curve at the measurement date. The determination of the assumed discount rate is separate from the determination of the expected rate of return on plan assets whenever the actual portfolio differs from the hypothetical portfolio described in this paragraph. Assumed discount rates shall be reevaluated at each measurement date. If the general level of interest rates rises or declines, the assumed discount rates shall change in a similar manner.

224. Amend paragraph 715-60-35-80, with no link to a transition paragraph, as follows:

## **Compensation—Retirement Benefits—Defined Benefit Plans—Other Postretirement**

### **Subsequent Measurement**

**715-60-35-80** Pursuant to paragraph 715-60-35-79, an employer shall look to rates of return on high-quality fixed-income investments in determining assumed discount rates. The objective of selecting assumed discount rates using that method is to measure the single amount that, if invested at the measurement date in a portfolio of high-quality debt instruments, would provide the necessary future cash flows to pay the postretirement benefits when due. Notionally, that single amount, the accumulated postretirement benefit obligation, would equal the ~~current market~~fair value of a portfolio of high-quality zero coupon bonds whose maturity dates and amounts would be the same as the timing and amount of the expected future benefit payments. Because cash inflows would equal cash outflows in timing and amount, there would be no reinvestment risk in the yields to maturity of the portfolio.

225. Amend paragraphs 715-70-55-7 and 715-70-55-9, with no link to a transition paragraph, as follows:

## **Compensation—Retirement Benefits—Defined Contribution Plans**

### **Implementation Guidance and Illustrations**

**715-70-55-7** Compensation expense shall be reflected at the time the allocation is made by the plan based on the ~~fair market value~~**{add glossary link to 3<sup>rd</sup> definition}**fair value**{add glossary link to 3<sup>rd</sup> definition}** of the assets at that time.

**715-70-55-9** With respect to the employer's own debt securities and a third party's debt securities the employer shall report the portion of the unallocated assets of the plan that consist of employer debt securities as an asset rather than as an extinguishment of debt. This Subtopic applies only to employer debt securities included in the unallocated assets of a defined contribution plan and shall not apply to other circumstances in which an entity acquires its own debt securities. Debt securities, both of third parties and of the employer, included in the unallocated assets of a defined contribution plan shall be measured at the lower of cost or fair value~~market~~ with any write-downs reflected in the income statement.

226. Amend paragraph 715-80-35-1, with no link to a transition paragraph, as follows:

## Compensation—Retirement Benefits—Multiemployer Plans

### Subsequent Measurement

**715-80-35-1** An employer participating in a **multiemployer plan** shall recognize as net pension cost or net periodic postretirement benefit cost the required contribution for the period, which shall include both cash and the fair market value of noncash contributions, and shall recognize as a liability any unpaid contributions required for the period.

## Amendments to Topic 810

227. Amend paragraphs 810-10-55-17, 810-10-55-123, and 810-10-55-128, with no link to a transition paragraph, as follows:

### Consolidation—Overall

#### Implementation Guidance and Illustrations

**810-10-55-17** The identification of variable interests requires an economic analysis of the rights and obligations of a legal entity's assets, liabilities, equity, and other contracts. Variable interests are contractual, ownership, or other pecuniary interests in a legal entity that change with changes in the **{add glossary link to 3<sup>rd</sup> definition}** fair value **{add glossary link to 3<sup>rd</sup> definition}** of the legal entity's net assets exclusive of variable interests. The Variable Interest Entities Subsections use the terms **expected losses and expected residual returns** to describe the **expected variability** in the fair value of a legal entity's net assets exclusive of variable interests.

**810-10-55-123** The primary purpose of the VIE is to generate profits by maximizing the spread it earns on its asset portfolio and its weighted-average cost of funding. The transaction was marketed to potential debt investors as an investment in a portfolio of high-quality debt with exposure to the credit risk associated with the possible default by the issuers of the debt in the portfolio. The equity tranche is designed to absorb the first dollar risk of loss related to credit, liquidity, changes in fairmarket value, and interest rate risk and to receive any benefit from a favorable change in credit, changes in fairmarket value, and interest rates.

**810-10-55-128** To evaluate the facts and circumstances and determine which reporting entity, if any, is the primary beneficiary of a VIE, paragraph 810-10-25-38A requires that a reporting entity determine the purpose and design of the VIE, including the risks that the VIE was designed to create and pass through to its variable interest holders. In making this assessment, the variable interest holders of the VIE determined the following:

- a. The primary purposes for which the VIE was created were to provide investors with the ability to invest in a pool of high-quality debt, to maximize the spread it earns on its asset portfolio over its weighted-average cost of funding, and to generate management fees for the sponsor.
- b. The transaction was marketed to potential debt investors as an investment in a portfolio of high-quality debt with exposure to the credit risk associated with the possible default by the issuers of the debt in the portfolio.
- c. The equity tranche is negotiated to absorb the first dollar risk of loss related to credit, liquidity, ~~fairmarket~~ value, and interest rate risk and to receive a portion of the benefit from a favorable change in credit, ~~fairmarket~~ value, and interest rates.
- d. The principal risks to which the VIE is exposed include credit, interest rate, and liquidity risk.

228. Amend paragraphs 810-30-55-1 and 810-30-55-3, with no link to a transition paragraph, as follows:

## Consolidation—Research and Development Arrangements

### Implementation Guidance and Illustrations

#### > Illustrations

#### >> Example 1: Research and Development Arrangements

**810-30-55-1** This Example illustrates the guidance in this Subtopic. A **sponsor** (the Sponsor) capitalizes a newly created, wholly owned **subsidiary**, Newco, with \$110 million and rights to certain technology developed by the Sponsor (assumed to have no book value) in exchange for Newco Class A common stock and Newco Class B common stock with a nominal **{add glossary link to 3<sup>rd</sup> definition}** fair value **{add glossary link to 3<sup>rd</sup> definition}**. Concurrent with its formation, the Sponsor and Newco enter into various agreements including a development contract and purchase option (each described in this Example). Shortly thereafter, the Sponsor distributes all of the Newco Class A common stock to the Sponsor's stockholders. The fair value of the Newco Class A common stock at distribution is \$80 million.

**810-30-55-3** Under the purchase option, the Sponsor will have the right to purchase all of the Newco Class A common stock at an exercise price that is intended to approximate the fair ~~market~~ value of the shares. The purchase option is exercisable at any time until the second anniversary of the distribution of the Newco Class A common stock. For purposes of this Example, 2 scenarios are assumed under the purchase ~~option—option—1~~ in which the option is not

exercised and 1 in which the option is exercised for \$200 million just before the second anniversary of the distribution of the Newco Class A common stock.

## Amendments to Topic 815

229. Amend paragraphs 815-10-05-11 and 815-10-05-13, with no link to a transition paragraph, as follows:

### Derivatives and Hedging—Overall

#### Overview and Background

**815-10-05-11** A synthetic guaranteed investment contract is a contract that simulates the performance of a traditional guaranteed investment contract through the use of **financial instruments**. As with other types of guaranteed investment contracts, the specific terms and conditions of synthetic guaranteed investment contracts are negotiated on a case-by-case basis. However, those contracts fall into several broad structural categories, as follows:

- a. Buy-and-hold. Typically, a buy-and-hold synthetic contract covers a limited class of assets, usually high-quality bonds expected to be held to maturity. There is no stated rate guarantee; instead, the interest rate is reset periodically as specified in the contract, subject to a specified floor—for example, 3 percent or 0 percent. The term of the contract generally is consistent with the maturity of the underlying assets. Although buy-and-hold contracts are structured to permit participant withdrawals and transfers at book value, generally no withdrawals are expected. The arrangements between the benefit plan or other institutional investor and the wrap provider typically contain provisions outlining operating and investing guidelines for the customer. These guidelines are designed to ensure the availability of other sources of liquidity sufficient to satisfy expected levels of net participant-directed withdrawals and transfers, without the need to access the assets wrapped by the synthetic guaranteed investment contract. While participants can make withdrawals or transfers at book value, in most cases, the customer can terminate the contract at the ~~market~~ value of the assets at any time, but it can withdraw at contract value only at maturity or earlier with a specified notification period.
- b. Actively managed. With an actively managed synthetic guaranteed investment contract, the assets often are managed by an outside investment manager, but may be managed by the insurer. Generally, the contract is evergreen—that is, there is no specified maturity date—and there is no stated rate guarantee; instead, the interest rate is reset periodically as specified in the contract, subject to a specified floor,

frequently zero percent and typically not less than zero percent. Participant-directed withdrawals and transfers are made at book value, with future interest returns adjusted to recognize the difference between the fair value and book value of the remaining assets covered by the synthetic guaranteed investment contract, but typically not below a zero interest rate. Customer-initiated withdrawal provisions are similar to those for buy-and-hold guaranteed investment ~~contracts~~contract.

- c. Fixed-rate, fixed-maturity. This contract is essentially the same as a traditional general account guaranteed investment contract. The synthetic guaranteed investment contract issuer guarantees a fixed rate for a fixed and certain term and assumes the investment risks and rewards of the assets. If the assets earn less than the guaranteed return, the insurance entity absorbs the loss. If the assets earn more than was assumed in pricing, the income recognized by the insurer will be greater than the wrap fee assumed in the pricing. Typically, the insurer also will be the investment manager because of the assumption of investment risk. Note that participant-initiated withdrawals and transfers of fixed-rate, fixed-maturity contracts are permitted at book value but are expected to occur infrequently. Withdrawals initiated by the customer generally are permitted only at the ~~market~~-value of the assets and the guarantee is not activated.

**815-10-05-13** Other structures include:

- a. A swap agreement whereby the synthetic guaranteed investment contract issuer exchanges a fixed return for the ~~market~~-value of supporting assets, if needed for benefit payments
- b. An agreement by the issuer to buy assets at book value if a sale is needed to make benefit payments
- c. A payment upon termination of the contract equal to the difference between a hypothetical book value of plan assets and their ~~market~~ value. (Provisions of benefit-responsive traditional guaranteed investment contracts and synthetic guaranteed investment contracts generally prohibit the benefit plan and its sponsor from taking any actions that would encourage participant withdrawals and transfers.)

230. Amend paragraph 815-10-15-59 and its related heading, with no link to a transition paragraph, as follows:

## Scope and Scope Exceptions

### >>> Certain Contracts ~~That~~ Are Not Traded on an Exchange

**815-10-15-59** Contracts that are not exchange-traded are not subject to the requirements of this Subtopic if the underlying on which the settlement is based is any one of the following:

- a. A climatic or geological variable or other physical variable. Climatic, geological, and other physical variables include things like the number of inches of rainfall or snow in a particular area and the severity of an earthquake as measured by the Richter scale. (See Example 13 [paragraph 815-10-55-135].)
- b. The price or value of a nonfinancial asset of one of the parties to the contract provided that the asset is not readily convertible to cash. This scope exception applies only if both of the following are true:
  1. The nonfinancial assets are unique.
  2. The nonfinancial asset related to the underlying is owned by the party that would not benefit under the contract from an increase in the fair price or value of the nonfinancial asset. (If the contract is a call option, the scope exception applies only if that nonfinancial asset is owned by the party that would not benefit under the contract from an increase in the price or fair value of the nonfinancial asset above the option's strike price.)
- c. The fair price or value of a nonfinancial liability of one of the parties to the contract provided that the liability does not require delivery of an asset that is readily convertible to cash.
- d. Specified volumes of sales or service revenues of one of the parties to the contract. (This scope exception applies to contracts with settlements based on the volume of items sold or services rendered, for example, royalty agreements. This scope exception does not apply to contracts based on changes in sales or revenues due to changes in market prices.)

231. Amend paragraph 815-15-30-3, with no link to a transition paragraph, as follows:

## Derivatives and Hedging—Embedded Derivatives

### Initial Measurement

**815-15-30-3** The objective is to estimate the fair value of the derivative features separately from the fair value of the nonderivative portions of the contract. Estimates of fair value shall reflect all relevant features of each component ~~and~~

~~their effect on a current exchange between willing parties.~~ For example, an embedded purchased option that expires if the contract in which it is embedded is prepaid would have a different value than an option whose term is a specified period that is not subject to truncation.

232. Amend paragraphs 815-15-55-8, 815-15-55-18, 815-15-55-55, and 815-15-55-99, with no link to a transition paragraph, as follows:

## Implementation Guidance and Illustrations

### > > > Participating Mortgage

**815-15-55-8** Under an example participating mortgage, the investor receives a below-market interest rate and is entitled to participate in the appreciation in the ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~ ~~market value~~ of the project that is financed by the mortgage upon sale of the project, at a deemed sale date, or at the maturity or refinancing of the loan. The mortgagor must continue to own the project over the term of the mortgage.

**815-15-55-18** The criterion in paragraph 815-15-25-1(b) is met because a volumetric production payment is not remeasured at ~~{remove glossary link}~~fair value~~{remove glossary link}~~ under otherwise applicable generally accepted accounting principles (GAAP) with changes in fair value reported currently in earnings.

**815-15-55-55** Variable annuity product structures as discussed in Topic 944 are generally not subject to the scope of this Subtopic (except for payment options at the end of the accumulation period), as follows:

- a. Death benefit component. Paragraph 815-10-15-53(a) excludes a death benefit from the scope of Subtopic 815-10 because the payment of the death benefit is the result of an identifiable insurable event instead of changes in an underlying. The death benefit in this example is limited to the floor guarantee of the investment account, calculated as the premiums paid into the investment account plus a guaranteed rate of return, less the account ~~fair market~~ value. Topic 944 remains the applicable guidance for the insurance-related liability accounting.
- b. Investment component. The policyholder directs certain premium investments in the investment account that includes equities, bonds, or both, which are held in separate accounts that are distinct from the insurer's general account assets. This component is not considered a derivative instrument because of the unique attributes of traditional variable annuity contracts issued by insurance entities. Furthermore, any embedded derivatives within those investments shall not be separated from the host contract by the insurer because the separate account assets are already marked to fair value under Topic 944. In contrast, if the product were an equity-index-based interest annuity

(rather than a traditional variable annuity), the investment component would contain an embedded derivative (the equity index-based derivative instrument) that meets all the requirements of paragraph 815-15-25-1 for separate accounting.

- c. Investment account surrender right at fairmarket value. Because this right is exercised only at the fund fairmarket value (without the insurer's floor guarantee) and relates to a traditional variable annuity contract issued by an insurance entity, this right is not within the scope of Subtopic 815-10.
- d. Payment alternatives at the end of the accumulation period. Payment alternatives are options subject to the requirements of Subtopic 815-10 if interest rates or other underlying variables affect the fair value.

### > > Example 3: Clearly and Closely Related Criterion—Leveraging Through Notional Amount

**815-15-55-99** This Example illustrates the application of the clearly and closely related criterion in paragraph 815-15-25-1(a). Two entities enter into a long-term service contract whereby Entity A agrees to provide a service to Entity B at market rates over a three-year period. Entity B forecasts it will pay DKK (the Danish kroner) 1,000 to Entity A at the end of the 3-year period for all services rendered under the contract. Entity A's functional currency is DKK and Entity B's is the U.S. dollar (USD). In addition to providing the terms under which the service will be provided, the contract includes a foreign currency exchange provision. The provision requires that over the term of the contract, Entity B will pay or receive an amount equal to the fluctuation in the DKK/USD exchange rate applied to a notional amount of DKK 100,000 (that is, if USD appreciates against DKK, Entity B will pay the appreciation, and if USD depreciates against DKK, Entity B will receive the depreciation). The host contract is not a derivative instrument and will not be recorded in the financial statements at fairmarket value.

233. Amend paragraph 815-20-05-4, with no link to a transition paragraph, as follows:

## Derivatives and Hedging—Hedging—General

### Overview and Background

**815-20-05-4** An interest rate swap-in-arrears works the same way as a plain-vanilla swap except that the floating interest rate for a swap-in-arrears is applied retrospectively. With an interest rate swap-in-arrears, the net cash flow occurs immediately at the interest rate reset date (which is at the end of the reset period). That is, if the swap interest rates are reset every three months, the cash flows occur at the end of each three-month period based on the interest rates

determined at that same time applied to the three-month period just ended. Note that generally, both plain-vanilla swaps and swaps-in-arrears are initiated with ~~{add glossary link to 3<sup>rd</sup> definition}~~fair values~~{add glossary link to 3<sup>rd</sup> definition}~~market values equal to zero. At any given time, however, there will be some difference between the fixed interest rates on the two respective swaps or between the variable interest rates on the two respective swaps unless the yield curve is perfectly flat. See paragraphs 815-20-25-106(d) through 25-107 for related guidance.

234. Amend paragraph 815-20-55-119, with no link to a transition paragraph, as follows:

## Implementation Guidance and Illustrations

**815-20-55-119** Overall, the collar provides the investor with a potential gain equal to 70 percent of the share price of XYZ stock in excess of \$120 per share at maturity and exposes the investor to a potential loss in principal to the extent that the share price of XYZ stock is below \$100 per share at maturity. (For both options, the underlying is the same—~~the share market price of XYZ stock.~~) Entity A also has 1,000 shares of XYZ stock classified as available for sale. The fair~~current market~~ value of XYZ stock at the debt issuance date is \$100 per share. The debt issuance is intended to eliminate the risk of a decrease in the fair~~market~~ value in Entity A's investment in XYZ stock.

235. Amend paragraph 815-40-25-18, with no link to a transition paragraph, as follows:

## Derivatives and Hedging—Contracts in Entity's Own Equity

### Recognition

#### > > > Uneconomic Settlement Alternatives

**815-40-25-18** If a settlement alternative includes a penalty that would be avoided by an entity under other settlement alternatives, the uneconomic settlement alternative shall be disregarded in classifying the contract. In the case of delivery of unregistered shares, a discount from the fair value of the corresponding registered shares that is a reasonable estimate of the difference in fair values between registered and unregistered shares (that is, the discount reflects the fair value of the restricted shares determined using commercially reasonable means) is not considered a penalty.

236. Amend paragraph 815-45-55-6, with no link to a transition paragraph, as follows:

## **Derivatives and Hedging—Weather Derivatives**

### **Implementation Guidance and Illustrations**

**815-45-55-6** All of the following are secondary indicators (management and controls) in Category B:

- a. Compensation and/or performance measures are tied to the short-term results generated from weather derivative contracts (that is, the operation is measured based on trading profits or changes in the fair market values of its positions as opposed to profitable management of income-producing assets).

**[The remainder of this paragraph is not included because it is unchanged.]**

## **Amendments to Subtopic 820-10**

237. Amend paragraph 820-10-15-2, with no link to a transition paragraph, as follows:

### **Fair Value Measurement—Overall**

#### **Scope and Scope Exceptions**

##### **> Other Considerations**

##### **> > Topics and Subtopics Not within Scope**

**820-10-15-2** The Fair Value Measurement Topic does not apply as follows:

- a. To accounting principles that address share-based payment transactions (~~see~~this includes Subtopic 505-50 and all Subtopics in Topic 718 except for 718-40, which is within the scope of Topic 820 and Subtopic 505-50)

**[The remainder of this paragraph is not included because it is unchanged.]**

## Amendments to Subtopic 835-30

238. Amend paragraph 835-30-05-2, with no link to a transition paragraph, as follows:

### Interest—Imputation of Interest

#### Overview and Background

**835-30-05-2** Business transactions often involve the exchange of cash or property, goods, or service for a note or similar instrument. When a note is exchanged for property, goods, or service in a bargained transaction entered into at arm's length, there should be a general presumption that the rate of interest stipulated by the parties to the transaction represents fair and adequate compensation to the supplier for the use of the related funds. That presumption, however, must not permit the form of the transaction to prevail over its economic substance and thus would not apply if interest is not stated, the stated interest rate is unreasonable, or the stated face amount of the note is materially different from the current cash sales price for the same or similar items or from the ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~market value of the note at the date of the transaction. The use of an interest rate that varies from prevailing interest rates warrants evaluation of whether the face amount and the stated interest rate of a note or obligation provide reliable evidence for properly recording the exchange and subsequent related interest.

239. Amend paragraphs 835-30-25-2, 835-30-25-5, and 835-30-25-10 through 25-11, with no link to a transition paragraph, as follows:

### Recognition

#### > Imputation of Interest

**835-30-25-2** If determinable, the established exchange price (which, presumably, is the same as the price for a cash sale) of property, goods, or service acquired or sold in consideration for a note may be used to establish the present value of the note. When notes are traded in an open market, the market rate of interest and ~~quoted prices~~market value of the notes provide the evidence of the present value. These methods are preferable means of establishing the present value of the note.

**835-30-25-5** The total amount of interest during the entire period of a cash loan is generally measured by the difference between the actual amount of cash

received by the borrower and the total amount agreed to be repaid to the lender. The difference between the face amount and the proceeds upon issuance is shown as either **discount** or **premium**. For example, if a bond is issued at a discount or premium, such discount or premium is recognized in accounting for the original issue. The coupon or stated interest rate is not regarded as the effective yield or market rate. Moreover, if a long-term non-interest-bearing note or bond is issued, its net proceeds are less than face amount and an effective interest rate is based on its **{add glossary link to 3<sup>rd</sup> definition}fair value{add glossary link to 3<sup>rd</sup> definition}market value** upon issuance.

**835-30-25-10** In circumstances where interest is not stated, the stated amount is unreasonable, or the stated face amount of the note is materially different from the current cash sales price for the same or similar items or from the **fairmarket** value of the note at the date of the transaction, the note, the sales price, and the cost of the property, goods, or service exchanged for the note shall be recorded at the fair value of the property, goods, or service or at an amount that reasonably approximates the **fairmarket** value of the note, whichever is the more clearly determinable. That amount may or may not be the same as its face amount, and any resulting discount or premium shall be accounted for as an element of interest over the life of the note.

**835-30-25-11** In the absence of established exchange prices for the related property, goods, or service or evidence of the **fairmarket** value of the note (as described in paragraph 835-30-25-2), the present value of a note that stipulates either no interest or a rate of interest that is clearly unreasonable shall be determined by discounting all future payments on the notes using an imputed rate of interest. This determination shall be made at the time the note is issued, assumed, or acquired; any subsequent changes in prevailing interest rates shall be ignored.

## Amendments to Subtopic 852-10

240. Amend paragraphs 852-10-55-10 through 55-11, with no link to a transition paragraph, as follows:

### Reorganizations—Overall

#### Implementation Guidance and Illustrations

**852-10-55-10** The effect of the plan of reorganization on XYZ Company's balance sheet, as of June 30, 19X2, is as follows.

	<u>Adjustments to Record Confirmation of Plan</u>				<u>XYZ Company's Reorganized Balance Sheet</u>
	<u>Preconfirmation</u>	<u>Debt discharge</u>	<u>Exchange of stock</u>	<u>Fresh start</u>	
<b>Assets:</b>					
<u>Current Assets</u>					
Cash	\$ 200,000	\$ (150,000)			\$ 50,000
Receivables	250,000				250,000
Inventory	175,000			\$ 50,000	225,000
Assets held for sale to be disposed of valued at market, which is lower than cost	25,000				25,000
Other current assets	25,000				25,000
	<u>675,000</u>	<u>(150,000)</u>		<u>50,000</u>	<u>575,000</u>
Property, plant, and equipment	175,000			175,000	350,000
Assets held for sale to be disposed of valued at market, which is lower than cost	50,000				50,000
Goodwill	200,000			(200,000)	
Reorganization value in excess of amounts allocable to identifiable assets				175,000	175,000
	<u>\$ 1,100,000</u>	<u>\$ (150,000)</u>		<u>\$ 200,000</u>	<u>\$ 1,150,000</u>
<b>Liabilities and Shareholders' Deficit:</b>					
<u>Liabilities Not Subject to Compromise</u>					
<u>Current liabilities</u>					
Short-term borrowings	\$ 25,000				\$ 25,000
Current maturities of senior debt		\$ 50,000			50,000
Accounts payable trade	175,000				175,000
Other liabilities	100,000				100,000
	<u>300,000</u>	<u>50,000</u>			<u>350,000</u>
<u>Liabilities Subject to Compromise</u>					
Prepetition liabilities	1,100,000	(1,100,000)			
IRS note		50,000			50,000
Senior debt, less current maturities		225,000			225,000
Subordinated debt		175,000			175,000
<u>Shareholders' deficit:</u>					
Preferred stock	325,000		\$ (325,000)		
Additional paid-in capital		215,000	386,000	\$ (351,000)	250,000
Common stock—old	75,000		(75,000)		
Common stock—new		86,000	14,000		100,000
Retained earnings (deficit)	(700,000)	149,000		700,000	
	<u>(300,000)</u>	<u>450,000</u>	<u>-</u>	<u>200,000</u>	<u>350,000</u>
	<u>\$ 1,100,000</u>	<u>\$ (150,000)</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 1,150,000</u>

**852-10-55-11** The following illustrative footnote disclosure discusses the details of XYZ Company's **confirmed plan** of reorganization. In this illustration a tabular presentation entitled Plan of Reorganization Recovery Analysis is incorporated in the footnote. The plan of reorganization recovery analysis may alternatively be presented as supplementary information to the financial statements.

## Note X - Plan of Reorganization

On June 30, 19X2, the Bankruptcy Court confirmed the Company's plan of reorganization. The Company accounted for the reorganization using fresh-start reporting. Accordingly, all assets and liabilities are adjusted to fair value in accordance with accounting requirements for business combinations under ASC Topic 805. The excess of reorganization value over the fair value of tangible and intangible assets was recorded as "reorganization value in excess of amounts allocable to identifiable assets." The confirmed plan provided for the following:

**Secured Debt**—The Company's \$300,000 of secured debt (secured by a first mortgage lien on a building located in Nashville, Tennessee) was exchanged for \$150,000 in cash and a \$150,000 secured note, payable in annual installments of \$27,300 commencing on June 1, 19X3, through June 1, 19X6, with interest at 12% per annum, with the balance due on June 1, 19X7.

**Priority Tax Claims**—Payroll and withholding taxes of \$50,000 are payable in equal annual installments commencing on July 1, 19X3, through July 1, 19X8, with interest at 11% per annum.

**Senior Debt**—The holders of approximately \$275,000 of senior subordinated secured notes received the following instruments in exchange for their notes: \$87,000 in new senior secured debt, payable in annual installments of \$15,800 commencing March 1, 19X3, through March 1, 19X6, with interest at 12% per annum, secured by first liens on certain property, plants, and equipment, with the balance due on March 1, 19X7; \$123,000 of subordinated debt with interest at 14% per annum due in equal annual installments commencing on October 1, 19X3, through October 1, 19X9, secured by second liens on certain property, plant, and equipment; and 11.4% of the new issue of outstanding voting common stock of the Company.

**Trade and Other Miscellaneous Claims**—The holders of approximately \$225,000 of trade and other miscellaneous claims received the following for their claims: \$38,000 in senior secured debt, payable in annual installments of \$6,900 commencing March 1, 19X3, through March 1, 19X6, with interest at 12% per annum, secured by first liens on certain property, plants, and equipment, with the balance due on March 1, 19X7; \$52,000 of subordinated debt, payable in equal annual installments commencing October 1, 19X3, through October 1, 19X8, with interest at 14% per annum; and 25.7% of the new issue of outstanding voting common stock of the Company.

Subordinated Debentures—The holders of approximately \$250,000 of subordinated unsecured debt received, in exchange for the debentures, 48.9% of the new issue outstanding voting common stock of the Company.

Preferred Stock—The holders of 3,250 shares of preferred stock received 12% of the outstanding voting common stock of the new issue of the Company in exchange for their preferred stock.

Common Stock—The holders of approximately 75,000 outstanding shares of the Company's existing common stock received, in exchange for their shares, 2% of the new outstanding voting common stock of the Company.

~~The Company accounted for the reorganization using fresh start reporting. Accordingly, all assets and liabilities are restated to reflect their reorganization value, which approximates fair value at the date of reorganization.~~The following table (Plan of Reorganization Recovery Analysis) summarizes the adjustments required to record the reorganization and the issuance of the various securities in connection with the implementation of the plan.

**[The table is not included because it is unchanged.]**

## Amendments to Subtopic 932-330

241. Amend paragraph 932-330-35-1, with no link to a transition paragraph, as follows:

### **Extractive Activities—Oil and Gas—Inventory**

#### **Subsequent Measurement**

~~932-330-35-1~~ Mark to market accounting is precluded for In accordance with Topic 815, energy trading contracts that are not derivatives ~~pursuant to Topic 815~~ shall not be measured subsequently at fair value through earnings. Entities shall not measure physical inventories at fair value, except as provided by ~~other~~ guidance in the authoritative literature other Topics.

## Amendments to Topic 940

242. Amend paragraph 940-20-25-7, with no link to a transition paragraph, as follows:

## **Financial Services—Broker and Dealers—Broker-Dealer Activities**

### **Recognition**

#### **Clearing**

##### **> Conditional Transactions**

**940-20-25-7** Certain transactions (for example, those for when-issued securities) are, by their nature, conditional; that is, their completion is dependent on the occurrence of a future event or events. For those conditional transactions in which completion is assured beyond a reasonable doubt, the recognition of the transactions and related profit and loss shall be the same as for unconditional transactions. For those conditional transactions in which completion is not assured beyond a reasonable doubt, only fair value~~mark-to-market~~ losses shall be recognized, while fair value~~market value~~ gains shall be deferred.

243. Amend paragraphs 940-20-35-1 through 35-3, with no link to a transition paragraph, as follows:

### **Subsequent Measurement**

#### **Clearing**

##### **> Conditional Transactions**

**940-20-35-1** Fair Market-value gains deferred under paragraph 940-20-25-7 shall be recognized when the uncertainty is eliminated.

##### **> Suspense Accounts**

**940-20-35-2** Securities underlying amounts in suspense accounts shall be subsequently measured at fair value~~marked to market~~, and the gain or loss shall be recognized in income.

### **Underwriting**

**940-20-35-3** With respect to the underwriting of issues that trade before the settlement date, the broker-dealer shall subsequently measure at fair value~~mark to market~~ any shares that it is firmly committed to purchase but that have not yet been subscribed to by customers.

244. Amend paragraph 940-320-30-2, with no link to a transition paragraph, as follows:

## Financial Services—Broker and Dealers—Investments—Debt and Equity Securities

### Initial Measurement

#### Proprietary Trading Securities

**940-320-30-2** A broker-dealer may buy and sell securities for its own account. Security positions resulting from proprietary trading shall be measured initially at ~~current market or fair~~ value~~values~~, including both of the following:

- a. Inventory
- b. Obligations for short inventory positions.

245. Amend paragraphs 940-320-35-1 through 35-3, with no link to a transition paragraph, as follows:

### Subsequent Measurement

#### Proprietary Trading Securities

**940-320-35-1** Security positions resulting from proprietary trading shall be measured subsequently at ~~current market or fair~~ value~~values~~, including both of the following:

- a. Inventory
- b. Obligations for short inventory positions.

**940-320-35-2** Any unrealized gains or losses resulting from subsequent measurements of~~marking~~ these to ~~the market or fair~~ value shall be included in profit or loss.

#### > Trading Gains and Losses

**940-320-35-3** The profit or loss shall be measured by the difference between the acquisition cost and the ~~selling price or current market or fair~~ value.

246. Amend paragraph 940-320-45-4, with no link to a transition paragraph, as follows:

## Other Presentation Matters

### Proprietary Trading Securities

#### > Income Statement

**940-320-45-4** The changes in the {add glossary link to 3<sup>rd</sup> definition} fair value{add glossary link to 3<sup>rd</sup> definition} ~~mark-to-market~~ of fixed-income securities owned that were purchased at a discount or premium is composed of accreted interest income or changes in the fair value ~~market valuations~~ of the securities or both. Consideration should be given to reporting these components separately as interest income and trading gains and losses, respectively.

247. Amend paragraph 940-820-30-1, with no link to a transition paragraph, as follows:

### Financial Services—Broker and Dealers—Fair Value Measurement

#### Initial Measurement

**940-820-30-1** This Section does not purport to delineate all factors that may be considered by management in determining ~~indications of value in determining the~~ **fair value** assigned to a particular financial instrument. However, the following is a list of certain factors that have been taken into consideration by broker-dealers as part of the determination of fair value:

- a. Financial standing of the issuer
- b. Business and financial plan of the issuer
- c. Cost at date of purchase
- d. ~~Size of position held and the~~ The liquidity of the market

**[The remainder of this paragraph is not included because it is unchanged.]**

248. Amend paragraph 940-820-50-1, with no link to a transition paragraph, as follows:

## Disclosure

**940-820-50-1** Notes to the financial statements shall disclose all of the following if financial instruments ~~'~~ **{add glossary link to 3<sup>rd</sup> definition}** fair values **{add glossary link to 3<sup>rd</sup> definition}** instruments are measured ~~valued~~ at lower than quoted ~~market~~ prices (see Example in paragraph 820-10-55-52):

- a. Description of the financial instrument
- b. The quoted price ~~Total value~~ of the financial instrument ~~as measured by the quoted market price~~
- c. Fair ~~Total~~ value reported in the statement of financial condition
- d. Methods and significant assumptions used to value the instrument at lower than the quoted ~~market~~ price.

## Amendments to Subtopic 942-310

249. Amend paragraphs 942-310-30-1 through 30-3, with no link to a transition paragraph, as follows:

### Financial Services—Depository and Lending—Receivables

#### Initial Measurement

##### > Debt-Equity Swap Programs

**942-310-30-1** A **debt-equity swap** shall be measured at **{add glossary link to 3<sup>rd</sup> definition}** fair value **{add glossary link to 3<sup>rd</sup> definition}** at the date the transaction is agreed to by both parties. Debt-equity swaps have characteristics similar to both the acquisition of assets contemplated by Topics 805 and 845 and the receipt of assets in satisfaction of a loan contemplated by Subtopic 310-40.

**942-310-30-2** Since the secondary market for debt of financially troubled countries may be ~~is presently~~ considered to be thin, it may not be the best indicator of the fair value of the equity investment or of net assets received. In light of this thin secondary market and of the unique nature of the transaction, it is also necessary to examine the fair value of the equity investment or net assets received. In arriving at the fair value of a debt-equity swap, both the secondary market price of the loan given up and the fair value of the equity investment or net assets received shall be considered.

**942-310-30-3** It is the responsibility of management to measure fair value ~~make the valuation~~ considering all of the circumstances and to see that the measurement of fair value ~~valuation~~ is based on reasonable methods and

assumptions consistent with Topic 820, including, as needed, information from independent appraisals. Factors to consider in measuring~~determining current~~ fair values include the following:

- a. Similar transactions for cash
- b. Estimated cash flows from the equity investment or net assets received
- c. Fair value~~Market value, if any~~, of similar equity ~~investments~~investments, if any
- d. Currency restrictions, if any, affecting dividends, the sale of the investment, or the repatriation of capital.

## Amendments to Topic 944

250. Amend paragraphs 944-80-35-1 through 35-2 and 944-80-35-10, with no link to a transition paragraph, as follows:

### **Financial Services—Insurance—Separate Accounts**

#### **Subsequent Measurement**

##### **> Overall**

**944-80-35-1** Investments in separate accounts shall be reported at ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~~~market~~ except for **separate account** contracts with guaranteed investment returns. For those separate accounts, the related assets shall be reported in accordance with Subtopic 944-325.

**944-80-35-2** The portion of separate account assets representing contract holder funds recognized under paragraph 944-80-25-3 shall be measured subsequently at ~~{remove glossary link}~~fair value~~{remove glossary link}~~.

**944-80-35-10** If an insurance entity's proportionate interest subsequently increases as a result of transactions executed at fair value ~~(for example, at net asset value)~~, the increase is considered a purchase from the contract holder and shall be recognized at fair value.

251. Amend paragraph 944-815-25-2, with no link to a transition paragraph, as follows:

## Financial Services—Insurance—Derivatives and Hedging

### Recognition

#### Long-Duration Contracts

**944-815-25-2** The following indicators provide the basis for concluding that a traditional variable annuity contract is not a hybrid instrument to be accounted for under paragraph 815-15-25-1:

**[Paragraph 944-815-25-2(a) through (i) is not included because it is unchanged.]**

In addition, although the liability to policyholders is not specifically required by the Financial Services—Insurance Topic to be remeasured at **fair value** with changes reported in earnings, paragraphs 944-80-25-3, 944-80-30-1, and 944-80-35-2 require that an entity record a liability for traditional variable annuity contracts equal to the summary total of the ~~fair market~~ value of the assets held in the separate account for the policyholders.

### Amendments to Topic 946

252. Amend paragraph 946-320-35-11, with no link to a transition paragraph, as follows:

## Financial Services—Investment Companies—Investments—Debt and Equity Securities

### Subsequent Measurement

**946-320-35-11** To the extent that interest income to be received in the form of **baby bonds** is not expected to be realized, a reserve against income shall be established. Specifically, the investment company shall determine periodically that the total amount of interest income recorded as receivable, plus the initial cost of the underlying payment-in-kind bond, does not exceed the ~~fair market~~ **current** value of those assets.

253. Amend paragraph 946-830-05-2, with no link to a transition paragraph, as follows:

## Financial Services—Investment Companies—Foreign Currency Matters

### Overview and Background

**946-830-05-2** A foreign currency gain or loss (whether realized or unrealized) results from any of the following sources:

- a. The cost of securities held versus their carrying value based on current exchange rates
- b. Payables or receivables for securities bought or sold at the transaction date versus actual amounts at settlement date or payable or receivable based on current exchange rates
- c. Interest, dividends, and withholding taxes accrued versus the amount received or receivable based on current exchange rates
- d. Expenses accrued versus the amount paid or payable in foreign currency, based on current exchange rates
- e. ~~Marking to market of forward~~**Forward exchange contracts** or foreign exchange futures contracts subsequently measured at ~~{add glossary link to 3<sup>rd</sup> definition}~~**fair value**~~{add glossary link to 3<sup>rd</sup> definition}~~.

254. Amend paragraphs 946-830-45-4, 946-830-45-10, 946-830-45-13 through 45-17 and the related heading, and 946-830-45-19 through 45-20, with no link to a transition paragraph, as follows:

### Other Presentation Matters

**946-830-45-4** The practice of not separately disclosing the portion of the changes in ~~{add glossary link to 3<sup>rd</sup> definition}~~**fair values**~~{add glossary link to 3<sup>rd</sup> definition}~~~~market values~~ of investments and realized gains and losses thereon that result from foreign currency rate changes is permitted. However, separate reporting of such gains and losses is allowable and, if adopted by the reporting entity, shall conform to the guidance in this Subtopic.

#### > Derivative Instruments—Forward Exchange Contracts

**946-830-45-10** If a fund enters into a **forward exchange contract**, the forward contract shall be recorded on the inception date at the forward rate and subsequently measured at fair value~~marked to market~~ daily.

## > Securities

**946-830-45-13** The guidance on foreign currency matters related to securities is organized as follows:

- a. Purchased interest
- b. Subsequently measuring at fair value~~Marking to market~~
- c. Sale of securities
- d. Sale of interest.

### > > Purchased Interest

**946-830-45-14** Purchased interest represents the interest accrued between the last coupon date and the settlement date of the purchase. It should be recorded in the functional currency as interest receivable at the spot rate on the purchase trade date, and subsequently measured at fair value~~marked to market~~ using each valuation date's spot rate. After the settlement date, daily interest income should be accrued at the daily spot rate. It may be impractical to prepare the foregoing calculations daily, and, therefore, the use of a weekly or monthly average rate may be appropriate in many cases, especially if the exchange rate does not fluctuate significantly. However, if the exchange rate fluctuation is significant, the calculation should be made daily.

### > > Subsequently Measuring at Fair Value~~Marking to Market~~

**946-830-45-15** A fund investing in foreign securities generally invests in such securities to reap the potential benefits offered by the local capital market. It may also invest in such securities as a means of investing in the foreign currency market or of benefiting from the foreign currency rate fluctuation. The extent to which separate information regarding foreign currency gains or losses will be meaningful will vary depending on the circumstances, and separate information may not measure with precision foreign exchange gains or losses associated with the economic risks of foreign currency exposures. A foreign currency rate fluctuation, however, may be an important consideration in the case of foreign investments, and a reporting entity may choose to identify and separately report any resulting foreign currency gains or losses as a component of unrealized fair value gains or losses~~market gain or loss~~ on investments.

**946-830-45-16** The fair market value of securities shall initially be determined in the foreign currency and translated at the spot rate on the purchase trade date. The unrealized gain or loss between the original cost (translated on the trade date) and the fair market value (translated on the valuation date) comprises both of the following elements:

- a. ~~Changes in the fair value of securities before translation~~~~Movement in market price~~
- b. Movement in foreign currency rate.

**946-830-45-17** Such movements may be combined as permitted by paragraph 946-830-45-4. If separate disclosure of the foreign currency gains and losses is chosen, the ~~changes in the fair value of securities before translation~~~~movement in market prices~~ should be measured as the difference between the ~~fair~~~~market~~ value in foreign currency and the original cost in foreign currency translated at the spot rate on the valuation date. The effect of the movement in the foreign exchange rate shall be measured as the difference between the original cost in foreign currency translated at the current spot rate and the historical functional currency cost. These values can be computed as follows:

- a. (~~Fair~~~~Market~~ value in foreign currency - original cost in foreign currency) x valuation date spot rate = unrealized ~~fair~~~~market~~ value appreciation or depreciation.
- b. (Cost in foreign currency times valuation date spot rate) - cost in functional currency = the unrealized foreign currency gain or loss.

**946-830-45-19** For short-term securities held by a fund that follows the amortized cost method of valuation, the amortized cost value should be substituted for ~~fair~~~~market~~ value in the formulas given in the preceding two paragraphs if separate reporting is chosen by the reporting entity.

### > > Sale of Securities

**946-830-45-20** If separate reporting of foreign currency gains and losses on sales of securities is chosen by the reporting entity, the computation of the effects of ~~the changes in fair value~~~~market change~~ and the foreign currency rate ~~change~~ is similar to that described in paragraphs 946-830-45-17 through 45-18. ~~Fair~~~~Market~~ value in the formula given in those paragraphs should be replaced with sale proceeds and valuation date shall be replaced with sale trade date. Accordingly, the values shall be computed as follows:

- a. (Sale proceeds in foreign currency - original cost in foreign currency) x sale trade date spot rate = realized ~~fair value~~~~market~~ gain or loss on sale of security.
- b. (Cost in foreign currency x sale trade date spot rate) - cost in functional currency = realized foreign currency gain or loss.

255. Amend paragraph 946-830-50-2, with no link to a transition paragraph, as follows:

## Disclosure

**946-830-50-2** Foreign currency risk associated with investing in foreign securities shall be assessed continuously by management and considered for financial statement disclosure, including disclosures about all of the following:

- a. Liquidity. Because certain foreign markets are illiquid, market prices may not necessarily represent ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~realizable value.
- b. Size. If market capitalization is low, a fund's share in the entire market (particularly if single-country funds are involved) or in specific securities may be proportionately very large, and the fair value, consistent with Topic 820, may not be representative of the price that would be received if the fund sold its large proportion of the specific security ("block") at the measurement date.~~market price would not necessarily reflect the realizable value.~~
- c. Valuation. Because of liquidity ~~and size~~ problems as well as other factors, such as securities that are unlisted or securities that are traded in inactive markets~~thinly traded~~, funds are required to develop procedures consistent with Topic 820~~would have to adopt specific fair valuation procedures~~ for measuring~~determining~~ the fair values of such securities. Doing so may be difficult in a foreign environment; while others may perform the research and provide supporting documentation for ~~{remove glossary link}~~fair values~~{remove glossary link}~~, the ultimate responsibility for determining the fair values of securities rests with the management~~directors~~.

256. Amend paragraphs 946-830-55-4, 946-830-55-7 through 55-8, and 946-830-55-13, with no link to a transition paragraph, as follows:

## Implementation Guidance and Illustrations

**946-830-55-4** Calculations and journal entries related to subsequently measuring~~for the mark to market of~~ the securities at ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~ follow.

	1,000 XYZ measured at fair value	marked-to-market GBP 16.00; spot rate: USD 1.85 = GBP 1.00.	
<b>DAY 1:</b>			
<u>Market Fair value gain or loss</u>	=	(Foreign currency current-market fair value – foreign currency cost) × current foreign exchange rate	
Currency gain or loss	=	Foreign currency cost × (current foreign exchange rate – foreign exchange rate on day of purchase)	
<u>Market Fair value gain</u>	=	(GBP 16,000 – GBP 15,000) × 1.85	= USD 1,850
Currency gain	=	GBP 15,000 × (1.85 – 1.75)	= USD 1,500
Total gain in functional currency			= USD <u>3,350</u>
Total gain – (GBP 16,000 × 1.85) – (GBP 15,000 × 1.75) = USD 29,600 – USD 26,250 = USD 3,350			

**Mark-to-Market Measure at Fair Value Journal Entries**

*[Average rates may be used if fluctuations in exchange rates aren't significant]*

	1,000 XYZ measured at fair value	marked-to-market GBP 17.00; spot rate: USD 1.80 = GBP 1.00.	
<b>DAY 2:</b>			
<u>Market Fair value gain</u>	=	(GBP 17,000 – GBP 15,000) × 1.80	= USD 3,600
Currency gain	=	GBP 15,000 × (1.80 – 1.75)	= USD 750
Total gain in functional currency			USD <u>4,350</u>

**Daily Journal Entries**

<u>Market Fair value gain or loss</u>	=	USD 3,600 – USD 1,850	= USD 1,750
Currency gain or loss	=	USD 750 – USD 1,500	= USD <u>(750)</u>
Day 2 gain (USD 4,350 – USD 3,350)			= USD <u>1,000</u>

**946-830-55-7** Calculations and entries for settlement against foreign currency cash balances follow.

GBP 20,000 balance is available in London.

Lot a: GBP 10,000 purchased USD 1.65 per GBP 1.00

USD US cost basis: USD 16,500

Lot b: GBP 10,000 purchased USD 1.85 per GBP 1.00

USD US cost basis: USD 18,500

Assume lot b will be liquidated first at USD 1.80 per GBP 1.00.

**Lot b**

DR: cash	USD	18,000	
DR: realized currency gain or loss	USD	500	
CR: sterling cash at cost			USD 18,500

Assume one half of lot a will be liquidated at USD 1.80 per GBP 1.00.

**Lot a**

DR: cash	USD	9,000	
CR: sterling cash at cost			USD 8,250
CR: realized currency gain or loss			USD 750

Realized foreign exchange gain on payable remains the same.

**Between Purchase Settlement and Sale Trade Dates**

Measure the holding at fair value to market, based on both local market price and daily spot rate.

**946-830-55-8** Calculation and entries for the sale of XYZ shares follow.

Sell 1,000 XYZ GBP 18,000; exchange rate: USD 1.90 = GBP 1.00  
 Total proceeds: USD 34,200 or GBP 18,000

Foreign exchange gain is recognized on the sale trade date based on the holding period. Receivable is booked at the spot rate on sale trade date.

Debit: receivable for securities sold	USD	34,200		
Credit: sterling securities at cost (GBP 15,000 x 1.75)			= USD	26,250
Credit: realized fair value market gain or loss (GBP 18,000 - GBP 15,000) x 1.90			= USD	5,700 <sup>(a)</sup>
Credit: realized currency gain or loss (GBP 15,000 x 1.90) - 26,250			= USD	2,250 <sup>(a)</sup>

Maintain local currency basis (GBP 18,000) on the receivable record.

**Between Sale Trade Date and Settlement Date**

Measure the receivable at fair value. Mark the receivable to market based on the prevailing spot rate.

**Sale Settlement Date**

Spot rate: USD 1.85 = GBP 1.00

GBP 18,000 is converted at the spot rate to USD 33,300.

Foreign exchange loss is recognized upon the receipt (settlement) of the receivable.

Debit: cash	USD	33,300		
Debit: realized currency gain or loss	USD	900		
Credit: receivables from securities sold			USD	34,200
If foreign currency cash received is to be kept as local currency:				
Purchase: GBP 18,000 USD 1.85 = GBP 1.00				
Cost basis: USD 33,300				
Debit: sterling cash at cost	USD	33,300		
Credit: cash			USD	33,300

(a) If separate disclosures of the foreign currency elements of unrealized and realized gains and losses on investments are chosen by the entity.

**946-830-55-13** An illustrative note to the financial statements concerning foreign currency follows.

Foreign Currency. Amounts denominated in or expected to settle in foreign currencies are translated into U.S. dollars at rates reported by a major New York City bank on the following basis:

- a. Fair Market value of investment securities, other assets, and liabilities— at the closing rate of exchange at the balance sheet date
- b. Purchases and sales of investment securities, income, and expenses— at the rate of exchange prevailing on the respective dates of such transactions (or at an average rate if significant rate fluctuations have not occurred).

**Amendments to Subtopic 948-310**

257. Amend paragraphs 948-310-35-3 through 35-3A, with no link to a transition paragraph, as follows:

## Financial Services—Mortgage Banking—Receivables

### Subsequent Measurement

**948-310-35-3** The ~~{add glossary link to 3<sup>rd</sup> definition}~~ fair value ~~{add glossary link to 3<sup>rd</sup> definition}~~ of mortgage loans and **mortgage-backed securities** held for sale shall be ~~measured~~ **determined** by type of loan. At a minimum, ~~these separate determinations of fair value offer residential (one- to four-family dwellings) and commercial mortgage loans shall be measured separately made.~~ Either the aggregate or individual loan basis may be used in determining the lower of cost or fair value for each type of loan. Fair value for loans subject to investor purchase commitments (committed loans) and loans held on a speculative basis (uncommitted loans) shall be ~~measured~~ **determined** separately as follows:

- a. Committed loans. Mortgage loans covered by investor commitments shall be based on the fair values of the loans.
- b. **Uncommitted loans.** Fair value for uncommitted loans shall be based on the **principal market** or, in the absence of a principal market, in the **most advantageous market** ~~market in which the mortgage banking entity normally operates (see paragraphs 820-10-35-5 through 35-6C).~~ That determination ~~relies on the principles in Topic 820 and would include consideration of the following:~~
  1. Market prices and yields sought by ~~market participants in the principal or most advantageous market~~ **the mortgage banking entity's normal market outlets**
  2. Quoted **Government National Mortgage Association (GNMA)** security prices or other public market quotations for long-term mortgage loan rates
  3. **Federal Home Loan Mortgage Corporation (FHLMC)** and **Federal National Mortgage Association (FNMA)** current delivery prices.
- c. ~~Subparagraph superseded by Accounting Standards Update 2012-04. Uncommitted mortgage backed securities. Fair value for uncommitted mortgage backed securities that are collateralized by a mortgage banking entity's own loans ordinarily shall be based on the fair value of the securities. If the trust holding the loans may be readily terminated and the loans sold directly, fair value for the securities shall be based on the fair value of the loans or the securities depending on the mortgage banking entity's sales intent. Fair value for other uncommitted mortgage backed securities shall be based on published mortgage backed securities yields.~~

## > > Securitization of a Mortgage Loan Held for Sale

**948-310-35-3A** Paragraph 948-310-40-1 states that, after the securitization of a mortgage loan held for sale that meets paragraph 860-10-40-5's conditions for a sale, any mortgage-backed securities received by the transferor as proceeds shall be classified in accordance with the provisions of Topic 320. However, a **{add glossary link}**mortgage banking entity**{add glossary link}** shall classify as trading any retained mortgage-backed securities that it commits to sell before or during the securitization process. Paragraph 948-310-40-1 states that an entity is prohibited from reclassifying loans as investment securities unless the transfer of those loans meets paragraph 860-10-40-5's conditions for sale accounting.

## Amendments to Subtopic 954-605

258. Amend paragraph 954-605-05-4, with no link to a transition paragraph, as follows:

### Health Care Entities—Revenue Recognition

#### Overview and Background

**954-605-05-4** Other revenue, gains, or losses are derived from services other than providing health care services or coverage to patients, residents, or enrollees. These typically include the following:

- a. Interest and dividends from all funds held by a trustee, malpractice funds, or other miscellaneous investment activities
- b. Certain realized changes in ~~fair market~~ values of marketable securities

**[The remainder of this paragraph is not included because it is unchanged.]**

## Amendments to Topic 958

259. Amend paragraph 958-30-50-1, with no link to a transition paragraph, as follows:

## Not-for-Profit Entities—Split-Interest Agreements

### Disclosure

**958-30-50-1** The notes to financial statements shall include all of the following disclosures related to **split-interest agreements**:

- a. A description of the general terms of existing split-interest agreements
- b. Assets and liabilities recognized under split-interest agreements, if not reported separately from other assets and liabilities in a statement of financial position
- c. The basis used (for example, cost, lower of cost or fair value, ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~market, fair market value) for recognized assets
- d. The discount rates and actuarial assumptions used, if present value techniques are used in reporting the assets and liabilities related to split-interest agreements
- e. **Contribution** revenue recognized under such agreements, if not reported as a separate line item in a statement of activities
- f. Changes in the value of split-interest agreements recognized, if not reported as a separate line item in a statement of activities
- g. The disclosures required by the Fair Value Option Subsections of Subtopic 825-10, if a **not-for-profit entity** (NFP) elects the ~~{remove glossary link}~~fair value~~{remove glossary link}~~ option pursuant to paragraph 958-30-35-2(b) or 958-30-35-2(c)
- h. The disclosures required by paragraphs 820-10-50-1 through 50-2 and 820-10-50-2B through 50-2E in the format described in paragraph 820-10-50-8, if the asset and liabilities of split-interest agreements are measured at fair value on a recurring basis in periods after initial recognition.

260. Amend paragraph 958-205-55-21, with no link to a transition paragraph, as follows:

## Not-for-Profit Entities—Presentation of Financial Statements

### Implementation Guidance and Illustrations

#### > > > Notes to Financial Statements

**958-205-55-21** The following are illustrative notes to financial statements. Illustrative Note A provides policy disclosures required by paragraph 958-605-50-2 that bear on the illustrated statements. Notes B and C provide information required by paragraph 958-210-45-9. Notes D through F provide information that

NFPs are encouraged to disclose. However, paragraph 958-720-45-15 requires voluntary health and welfare entities to provide the information in Note F in a statement of functional expenses. All amounts are in thousands.

**[Notes A–D and Note F are not included because they are unchanged.]**

Note E

Investments are carried at ~~fairmarket or appraised~~ value, and realized and unrealized gains and losses are reflected in the statement of activities. Not-for-Profit Entity A invests cash in excess of daily requirements in short-term investments. At June 30, 19X1, \$1,400 was invested short term, and during the year short-term investments earned \$850. Most long-term investments are held in two investment pools. Pool A is for permanent endowments and the unappropriated net appreciation of those endowments. Pool B is for amounts designated by the board of trustees for long-term investment. Annuity trusts, term endowments, and certain permanent endowments are separately invested. Long-term investment activity is reflected in the following table.

**[The tables are not included because they are unchanged.]**

The board of trustees has interpreted state law as requiring the preservation of the purchasing power (real value) of the permanent endowment funds unless explicit donor stipulations specify how net appreciation must be used. To meet that objective, Not-for-Profit Entity A's endowment management policies require that net appreciation be retained permanently in an amount necessary to adjust the historic dollar value of original endowment gifts by the change in the Consumer Price Index. After maintaining the real value of the permanent endowment funds, any remainder of total return is available for appropriation. In 19X1, the total return on Pool A was \$18,000 (10.6 percent), of which \$4,620 was retained permanently to preserve the real value of the original gifts. The remaining \$13,380 was available for appropriation by the board of trustees. State law allows the board to appropriate so much of net appreciation as is prudent considering Not-for-Profit Entity A's long- and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under Not-for-Profit Entity A's endowment spending policy, 5 percent of the average of the ~~fairmarket~~ value at the end of the previous 3 years is appropriated, which was \$7,500 for the year ended June 30, 19X1.

261. Amend paragraphs 958-310-35-7 through 35-9 and 958-310-35-11 through 35-12, with no link to a transition paragraph, as follows:

## **Not-for-Profit Entities—Receivables**

### **Subsequent Measurement**

#### **> > Changes in the Quantity or Nature of Assets to Be Received**

**958-310-35-7** If the fair-value of a contribution receivable decreases because of changes in the quantity or nature of assets expected to be received, the decrease shall be recognized in the period(s) in which the expectation changes. That decrease shall be reported as an expense or loss (bad debt) in accordance with paragraph 958-310-45-3.

**958-310-35-8** No increase in net assets shall be recognized if the fair-value of a contribution receivable increases because of a change in the quantity or nature of assets expected to be received between the date the unconditional promise to give is recognized and the date it is collected, except as provided in the following paragraph.

**958-310-35-9** If the fair-value of a contribution receivable increases because of changes in the quantity or nature of assets expected to be received and previous decreases in the value of that unconditional promise to give resulted in expenses or losses from bad debts, the increase shall be reported as a recovery of those expenses or losses to the extent that those expenses or losses were previously recognized. The recovery shall be reported in the net asset classes in which the net assets are represented.

#### **> > Changes in the Fair Value of Underlying Noncash Assets—Gifts of Certain Securities**

**958-310-35-11** The fair-value of a contribution receivable arising from an unconditional promise to give equity securities with readily determinable fair values or debt securities may change between the date the unconditional promise to give is recognized and the date the asset promised is received because of changes in the future fair value of the underlying securities. For purposes of subsequent measurement, the method of determining the future fair value of the underlying securities shall be the same as the method used for determining that amount for purposes of initial measurement. Thus, if a promise to give securities is measured based on the fair value of the underlying securities at the date of gift, as described in paragraph 958-605-30-8, an observed change in the current fair value of the underlying securities shall be recognized. The change shall be reported as an increase or a decrease in contribution revenue in

the period(s) in which the change occurs. The change shall be recognized in the net asset class in which the contribution was originally reported or in the net asset class in which the net assets are represented.

### >> **Changes in the Fair Value of Underlying Noncash Assets—Gifts of Other Assets**

**958-310-35-12** The fair-value of a contribution receivable arising from an unconditional promise to give noncash assets other than equity securities with readily determinable fair values or debt securities may change between the date the unconditional promise to give is recognized and the date the asset promised is received because of changes in the future fair value of the underlying noncash assets. For purposes of subsequent measurement, the method for determining the future fair value of the underlying noncash asset shall be the same as the method used for determining that amount for purposes of initial measurement. Accordingly, assumed relationships, such as the relationship between the market price of the noncash asset at the time the initial measurement is made and its projected market price at the date the asset is expected to be received, shall be presumed to continue in determining whether the future fair value of the underlying noncash asset has changed.

262. Amend paragraph 958-310-55-1, with no link to a transition paragraph, as follows:

## **Implementation Guidance and Illustrations**

### **> Illustrations**

#### **>> Example 1: Accounting for Changes in the Value of Unconditional Promises to Give**

**958-310-55-1** This Example illustrates the accounting for changes in the value of **unconditional promises to give** after initial recognition but before collection, pursuant to paragraphs 958-310-35-7 through 35-13, if those **promises to give** are not measured subsequently at **fair value**. The following table illustrates the reason for the change in fair-value.

**Reason for the Change in Fair-Value**

<u>Underlying Asset</u>	<u>Change in Collectibility of the Receivable</u>		<u>Change in the Fair Value of the Underlying Asset</u>	
	<u>Increase in Fair-Value</u>	<u>Decrease in Fair-Value</u>	<u>Increase in Future Fair Value</u>	<u>Decrease in Future Fair Value</u>
Cash	No adjustment <sup>(a)</sup>	Recognize expense or loss (bad debt)	Not applicable	Not applicable
Securities <sup>(b)</sup>	No adjustment <sup>(a)</sup>	Recognize expense or loss (bad debt)	Recognize additional contribution revenue	Recognize a decrease in contribution revenue
Other assets	No adjustment <sup>(a)</sup>	Recognize expense or loss (bad debt)	No adjustment	Recognize a decrease in contribution revenue

(a) Recoveries of previously recognized decreases in fair-value resulting from changes in estimates of collectibility (up to the amount of decreases previously recognized), however, shall be recognized as reductions of bad debt expense or loss.

(b) For purposes of this table, *securities* are defined as equity securities with readily determinable fair values and all debt securities, consistent with the use of the terms in Subtopic 958-320.

263. Amend paragraphs 958-325-35-1, 958-325-35-3, 958-325-35-5, and 958-325-35-7, with no link to a transition paragraph, as follows:

## **Not-for-Profit Entities—Investments—Other**

### **Subsequent Measurement**

#### **> Institutions of Higher Education**

**958-325-35-1** Institutions of higher education, including colleges, universities, and community or junior colleges, shall subsequently report other investments at either of the following measures:

- a. Carrying value—that is, those that were acquired by purchase are reported at cost, and those that were contributed are reported at their **fair value** at the date of the gift. However, the carrying value shall be adjusted if there has been an impairment of value that is not considered to be temporary.
- b. ~~Fair~~ Current market value or fair value.

## > Voluntary Health and Welfare Entities

**958-325-35-3** Voluntary health and welfare entities shall subsequently report other investments at either of the following measures:

- a. Carrying value—that is, cost if purchased and fair value at the date of the **contribution** if contributed
- b. ~~Fair~~Market value.

**958-325-35-5** If other investments are not equity securities and the ~~fair~~market value of the portfolio of those investments is below the recorded amount, it may be necessary to reduce the carrying amount of the portfolio to ~~fair value~~market or to provide an allowance for decline in ~~fair~~market value. If it can reasonably be expected that the voluntary health and welfare entity will suffer a loss on the disposition of an investment, an impairment loss shall be recognized in the period in which the decline in ~~fair~~value occurs.

**958-325-35-7** If other investments are not equity securities and are carried at the lower of cost or ~~fair~~market value, declines in the value of those investments shall be recognized if their aggregate ~~fair~~market value is less than their carrying amount; recoveries of aggregate ~~fair~~market value in subsequent periods shall be recorded in those periods subject only to the limitation that the carrying amount shall not exceed the original cost.

264. Amend paragraphs 958-605-55-6 and 958-605-55-110, with no link to a transition paragraph, as follows:

## **Not-for-Profit Entities—Revenue Recognition**

### **Implementation Guidance and Illustrations**

**958-605-55-6** Moreover, a single transaction may be in part an exchange and in part a contribution. For example, if a donor transfers a building to an entity at a price significantly lower than its ~~fair~~market value and no unstated rights or privileges are involved, the transaction is in part an exchange of assets and in part a contribution to be accounted for as required by the Contributions Received Subsections of this Subtopic. See paragraphs 958-720-45-18 through 45-19 for premiums provided to donors and Example 4 (paragraphs 958-225-55-11 through 55-15) for direct benefits provided to donors at special events.

**958-605-55-110** If a resource provider transfers assets to a recipient entity and specifies itself or its **affiliate** as the beneficiary, a presumption that the transfer is reciprocal, and therefore not a contribution, is necessary even if the resource

provider explicitly grants the recipient entity variance power. Thus, Symphony Orchestra M would recognize an asset and Community Foundation N would recognize a liability because the transaction is deemed to be reciprocal. Symphony Orchestra M transfers its securities to Community Foundation N in exchange for future distributions. Community Foundation N, by its acceptance of the transfer, agrees that at the time of the transfer distributions to Symphony Orchestra M are capable of fulfillment and consistent with the foundation's mission. Although the fair value of those future distributions may not be commensurate with the fair value of the securities given up (because Symphony Orchestra M is at risk of cessation of the distributions), the transaction is accounted for as though those values are commensurate. In comparison, the donors to Community Foundation F in Example 5 (see paragraph 958-605-55-88) explicitly grant variance power to Community Foundation F in a **nonreciprocal transfer**. In that Example, it is clear that the donors have made a contribution because they retain no beneficial interests in the transferred assets. Because the donors in that Example explicitly grant variance power to Community Foundation F, it, rather than City Botanical Society E, is the recipient of that contribution.

265. Amend paragraph 958-810-15-4, with no link to a transition paragraph, as follows:

## **Not-for-Profit Entities—Consolidation**

### **Scope and Scope Exceptions**

**958-810-15-4** Additional guidance for reporting relationships between NFPs and for-profit entities is located in the following locations in the Codification:

- a. An NFP with a controlling financial interest in a for-profit entity through direct or indirect ownership of a majority voting interest in that entity shall apply the guidance in the General Subsections of Subtopic 810-10. However, in accordance with paragraph 810-10-15-17, NFPs are not subject to the Variable Interest Entities Subsections of that Subtopic.
- b. An NFP that is a general partner of a for-profit limited partnership or a similar entity (such as a limited liability company that has governing provisions that are the functional equivalent of a limited partnership) shall apply the guidance in Subtopic 810-20 unless that partnership interest is reported at **{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}** fair value **{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}** in conformity with the guidance described in (e).

**[The remainder of this paragraph is not shown because it is unchanged.]**

## Amendments to Topic 960

266. Amend paragraph 960-20-45-2, with no link to a transition paragraph, as follows:

### **Plan Accounting—Defined Benefit Pension Plans— Accumulated Plan Benefits**

#### **Other Presentation Matters**

**960-20-45-2** Certain flexibility is allowed in presenting the information regarding the actuarial present value of accumulated plan benefits and the year-to-year changes therein. ~~Therefore, either or both of those categories of~~ That information may be presented on the face of one or more financial statements or in notes thereto. Regardless of the format selected, each category of information shall be presented in its entirety in the same location. If a statement format is selected for either category, a separate statement may be used to present that information or, provided the information is as of the same date or for the same period, that information may be presented together with information regarding the **net assets available for benefits** and the year-to-year changes therein.

267. Amend paragraph 960-40-35-1, with no link to a transition paragraph, as follows:

### **Plan Accounting—Defined Benefit Pension Plans— Terminating Plans**

#### **Subsequent Measurement**

**960-40-35-1** For **terminating plan** assets, changing to the liquidation basis will usually cause little or no change in values, most of which are ~~fair~~ current market values. Assets that may not be carried at ~~fair~~ market values include all of the following:

- a. Operating assets
- b. Insurance and certain investment contracts carried at contract values
- c. Subparagraph superseded by Accounting Standards Update 2012-04. Large blocks of stock or other assets that cannot be readily disposed of at their quoted market prices.

268. Amend paragraph 960-325-50-1, with no link to a transition paragraph, as follows:

## **Disclosure**

**960-325-50-1** Disclosure of the plan's accounting policies shall include a description of the valuation techniques and inputs~~method(s) and significant assumptions~~ used to measure~~determine~~ the fair value of investments (as required by Section 820-10-50) and a description of the methods and significant assumptions used to measure the reported value of contracts with insurance entities.

## **Amendments to Topic 962**

269. Amend paragraph 962-40-35-1, with no link to a transition paragraph, as follows:

### **Plan Accounting—Defined Contribution Pension Plans—Terminating Plans**

#### **Subsequent Measurement**

**962-40-35-1** For **terminating plan** assets, changing to the liquidation basis will usually cause little or no change in values, most of which are fair~~current market~~ values. Assets that may not be carried at fair~~market~~ values include all of the following:

- a. Operating assets
- b. Insurance and certain investment contracts carried at contract values
- c. Subparagraph superseded by Accounting Standards Update 2012-04.~~Large blocks of stock or other assets that cannot be readily disposed of at their quoted market prices.~~

270. Amend paragraph 962-205-45-7, with no link to a transition paragraph, as follows:

### **Plan Accounting—Defined Contribution Pension Plans—Presentation of Financial Statements**

#### **Other Presentation Matters**

**962-205-45-7** Information regarding changes in net assets available for benefits is intended to present the effects of significant changes in net assets during the year and shall present, at a minimum, all of the following:

- a. The change in fair value ~~(or estimated fair value)~~ of each significant type of investment including participant-directed and self-directed investments held in brokerage accounts. Gains and losses from investments sold need not be segregated from unrealized gains and losses relating to investments held at year-end. Realized gains and losses on investments that were both bought and sold during the period should be included. This information may be presented in the accompanying footnotes.

**[The remainder of this paragraph is not included because it is unchanged.]**

271. Add paragraph 962-325-35-1A, with a link to transition paragraph 105-10-65-2, and amend paragraphs 962-325-35-2 through 35-4, with no link to a transition paragraph, as follows:

## **Plan Accounting—Defined Contribution Pension Plans— Investments—Other**

### **Subsequent Measurement**

#### **> Reporting at Fair Value**

**962-325-35-1A** If significant, the fair value of an investment shall be reduced by brokerage commissions and other costs normally incurred in a sale (similar to fair value less cost to sell).

**962-325-35-2** Some plan investments may not have Level 1 inputs to measure fair value. Therefore, they will need to be measured in accordance with the other valuation techniques described in Topic 820 market quotations and, therefore, will need to be valued in good faith. Examples include all of the following:

- a. Real estate
- b. Mortgages or other loans ~~(excluding loans to participants)~~
- c. Limited partnerships
- d. Restricted securities
- e. Unregistered securities
- f. Securities that are traded in inactive markets for which the market is thin
- g. Nontransferable investment contracts.

**962-325-35-3** Both of the following are the obligation of the plan's trustees, the administrator, and the corporate trustee:

- a. To satisfy themselves that all appropriate factors relevant to the value of the investments have been considered
- b. To select a method to measure~~estimate~~ the fair value of the investments.

**962-325-35-4** To the extent considered necessary, the plan may use the services of a specialist to assist the plan (or the administrators) in measuring~~estimating~~ the fair value of investments ~~valued in good faith~~. Topic 820 provides guidance on how to measure~~determine~~ fair value ~~when market quotations are not available~~.

272. Amend paragraphs 962-325-55-3 through 55-4 and 962-325-55-7 through 55-8, with no link to a transition paragraph, as follows:

## Implementation Guidance and Illustrations

### > > A Five-Year Public Bond (or Portfolio of Bonds) Guaranteed by a Third Party to Have a Fixed Value at the End of Three Years

**962-325-55-3** A five-year public bond (or portfolio of bonds) is guaranteed by a third party to have a fixed value at the end of three years. The guarantee applies only to the extent that the bond (or portfolio) is not liquidated before the end of three years. Liquidation within three years is at fair~~market~~ value.

**962-325-55-4** Because guaranteed proceeds from the bond are not available for benefit withdrawals or transfers prior to maturity, the contract is not fully benefit-responsive and, therefore, net assets available for benefits shall reflect the fair value for this investment contract. Fair value ~~should~~may be measured~~determined~~ in accordance with Topic 820~~as the amount at which the bond could be exchanged in a current transaction between parties, other than in a forced or liquidation sale, considering the guaranteed fixed value of the bond at the end of three years.~~

**962-325-55-7** This contract would be viewed as fully benefit-responsive. Examples of some variations on this contract, and their impact on the valuation, include the following:

- a. Liquidity at contract value is not guaranteed for benefits that are attributable to termination of the plan, a plan spinoff to a new employer plan, or amendments to plan provisions. Net assets available for

benefits should reflect the contract value for this investment contract, unless it is probable that the plan will be terminated, spun off, or amended.

- b. Liquidity at contract value is not guaranteed for benefits that are attributable to the layoff of a large group of workers or an early retirement program. Net assets available for benefits should reflect the contract value for this investment contract, unless it is probable that termination of the employment of a significant number of employees will occur.
- c. The contract will pay for benefits of up to 30 percent of the contract at contract value, and any excess benefits will be at some adjusted value. Net assets available for benefits should reflect the fair value for this investment contract because they are not fully benefit-responsive. ~~Fair value may be determined as the guaranteed amount plus the estimated discounted cash flows related to the amount in excess of 30 percent of the contract value.~~

**[The remainder of this paragraph is not included because it is unchanged.]**

### **>> A Five-Year, Non-Benefit-Responsive Investment Contract That Has No Liquid Market for Trading**

**962-325-55-8** Net assets available for benefits should reflect the fair value for such an investment contract because there is no guarantee of liquidity at contract value. Fair value would be ~~measured~~determined in the same manner as for an illiquid bond. Topic 820 includes a discussion of methods used to ~~measure~~determine the fair values of illiquid instruments.

## **Amendments to Topic 965**

273. Amend paragraph 965-20-30-1, with no link to a transition paragraph, as follows:

### **Plan Accounting—Health and Welfare Benefit Plans—Net Assets Available for Plan Benefits**

#### **Initial Measurement**

##### **> Noncash Contribution**

**965-20-30-1** A noncash contribution shall be recorded at ~~{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}~~fair value~~{remove~~

**glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition} less costs to sell, if significant, at the date of the contribution.**

274. Amend paragraph 965-20-45-1, with a link to transition paragraph 105-10-65-2, as follows: **[Note: the amendment to the glossary link is made in the current content as well as the pending content.]**

## **Other Presentation Matters**

### **> Statement of Net Assets Available for Benefits**

**965-20-45-1** The statement of net assets available for benefits of the plan shall present amounts for the following:

- a. Total assets
- b. Total liabilities
- c. Net assets reflecting all investments at **{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition} fair value {remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition} less costs to sell, if significant**
- d. Net assets available for benefits.

275. Amend paragraph 965-40-35-1, with no link to a transition paragraph, as follows:

## **Plan Accounting—Health and Welfare Benefit Plans—Terminating Plans**

### **Subsequent Measurement**

**965-40-35-1** For **terminating plan** assets, changing to the liquidation basis will usually cause little or no change in values, most of which are ~~fair~~current market values. Assets that may not be carried at ~~fair~~market values include all of the following:

- a. Operating assets
- b. Insurance and certain investment contracts carried at contract values
- c. Subparagraph superseded by Accounting Standards Update 2012-04. Large blocks of stock or other assets that cannot be readily disposed of at their quoted market prices.

276. Amend paragraph 965-205-50-1(h), with no link to a transition paragraph, as follows:

## **Plan Accounting—Health and Welfare Benefit Plans— Presentation of Financial Statements**

### **Disclosure**

**965-205-50-1** The plan's financial statements shall disclose other information as described in this Subtopic. Certain of the disclosures relate to plans with accumulated assets rather than those with trusts that act more as conduits for benefit payments or insurance premiums. Separate disclosures may be made to the extent that the plan provides both health and other welfare benefits. The disclosures shall include, if applicable, all of the following:

**[Paragraph 965-205-50-1(a) through (g) is not included because it is unchanged.]**

- h. Unusual or infrequent events or transactions occurring after the financial statement date, but before the financial statements are issued or are available to be issued (as discussed in Section 855-10-25), that might significantly affect the usefulness of the financial statements in an assessment of the plan's present and future ability to pay benefits. For example, all of the following shall be disclosed:
  - 1. A plan amendment adopted after the latest financial statement date that significantly increases future benefits attributable to an employee's service rendered before that date
  - 2. A significant change in the ~~fair market~~ value of a significant portion of the plan's assets
  - 3. The emergence of a catastrophic claim.If reasonably determinable, the effects of such events or transactions shall be disclosed. If such effects are not reasonably determinable, the reasons why they are not quantifiable shall be disclosed.

**[The remainder of the paragraph is not included because it is unchanged.]**

277. Amend paragraphs 965-205-55-4 and 965-205-55-6, with a link to transition paragraph 105-10-65-2, as follows: **[Note: the amendment to the glossary link is made in the current content as well as the pending content.]**

## Implementation Guidance and Illustrations

### > Illustrations

#### 965-205-55-4

[The beginning of this paragraph is not included because it is unchanged.]

#### NOTE 2: SUMMARY OF ACCOUNTING POLICIES

A. Valuation of Investments. The Plan's investments are stated at ~~{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}~~ fair value ~~{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}~~ less costs to sell, if significant. Securities traded on the national securities exchange are valued at the last reported sales price on the last business day of the plan year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices. The Plan also holds ~~For~~ certain corporate bonds that do not have an observable price. These bonds have maturities ranging from 5 to 7 years, and a weighted average coupon rate of 9 percent. The established fair value, the Plan's board of trustees has measured ~~established~~ a fair value for these bonds using an income approach that discounts contractual cash flows at a weighted average yield of 12 percent, which is based on yields currently available on comparable securities of issuers with similar credit ratings.

[The remainder of Note 2 and this paragraph is not included because it is unchanged.]

#### 965-205-55-6

[The beginning of this paragraph is not included because it is unchanged.]

#### NOTE 2: SUMMARY OF ACCOUNTING POLICIES

Valuation of Investments. The Plan's investments are stated at fair value. Securities traded on the national securities exchange are valued at the last reported sales price on the last business day of the plan year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices. The Plan also holds ~~For~~ certain corporate bonds that do

not have an observable price. These bonds have maturities ranging from 5 to 7 years, and a weighted average coupon rate of 9 percent. ~~The established fair value,~~ the Classic Enterprises Benefits Committee has ~~measured~~ established a fair value for these bonds using an income approach that discounts contractual cash flows at a weighted average yield of 12 percent, which is based on yields currently available on comparable securities of issuers with similar credit ratings.

**[The remainder of Note 2 and this paragraph is not included because it is unchanged.]**

278. Amend paragraph 965-320-25-1, with a link to transition paragraph 105-10-65-2, as follows: **[Note: the amendment to the glossary link is made in the current content as well as the pending content.]**

## **Plan Accounting—Health and Welfare Benefit Plans— Investments—Debt and Equity Securities**

### **Recognition**

**965-320-25-1** The accrual basis of accounting requires that purchases of securities be recorded on a trade-date basis. However, if the settlement date is later than the financial statement date, accounting on a settlement-date basis for such purchases is acceptable if both of the following conditions exist:

- a. The ~~{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}~~ fair value ~~{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}~~ less costs to sell, if significant, of the securities purchased just before the financial statement date does not change significantly from the trade date to the financial statement date.
- b. The purchases do not significantly affect the composition of the plan's assets available for benefits.

279. Amend paragraph 965-320-35-1, with a link to transition paragraph 105-10-65-2, as follows: **[Note: the amendment to the glossary link is made in the current content as well as the pending content.]**

### **Subsequent Measurement**

**965-320-35-1** Plan investments in the form of equity or debt securities shall be reported at their ~~{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}~~ fair value ~~{remove glossary link to 2<sup>nd</sup> definition and add~~

**glossary link to 3<sup>rd</sup> definition} less costs to sell, if significant, at the financial statement date.**

280. Amend paragraph 965-320-40-1, with a link to transition paragraph 105-10-65-2, as follows: **[Note: the amendment to the glossary link is made in the current content as well as the pending content.]**

## **Derecognition**

**965-320-40-1** The accrual basis of accounting requires that sales of securities be recorded on a trade-date basis. However, if the settlement date is later than the financial statement date, accounting on a settlement-date basis for such purchases is acceptable if both of the following conditions exist:

- a. The **{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition} fair value {remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition} less costs to sell, if significant, of the securities sold just before the financial statement date does not change significantly from the trade date to the financial statement date.**
- b. The sales do not significantly affect the composition of the plan's assets available for benefits.

281. Amend paragraph 965-320-50-1, with a link to transition paragraph 105-10-65-2, as follows: **[Note: the amendment to the glossary link is made in the current content as well as the pending content.]**

## **Disclosure**

**965-320-50-1** Ordinarily, information regarding the net appreciation or depreciation in the **{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition} fair value {remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition} less costs to sell, if significant, of investments shall be disclosed in the notes to financial statements.**

282. Amend paragraph 965-325-35-1 and add paragraph 965-325-35-1A, with a link to transition paragraph 105-10-65-2, as follows: **[Note: the amendment to the glossary link is made in the current content as well as the pending content.]**

## **Plan Accounting—Health and Welfare Benefit Plans—Investments—Other**

### **Subsequent Measurement**

## > Reporting at Fair Value

**965-325-35-1** Plan investments, whether they are in the form of equity or debt securities, real estate, or other investments (excluding insurance contracts), shall be reported at their ~~{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}~~fair value~~{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}~~ less costs to sell, if significant, at the financial statement date.

**965-325-35-1A** If significant, the fair value of an investment shall be reduced by brokerage commissions and other costs normally incurred in a sale.

283. Amend paragraph 965-325-50-1 and add paragraph 965-325-50-1A, with a link to transition paragraph 105-10-65-2, as follows: **[Note: the amendment to the glossary link is made in the current content as well as the pending content.]**

## Disclosure

**965-325-50-1** Disclosure of a **health and welfare benefit plan's** accounting policies shall include a description of the valuation techniques and inputs used to measure the ~~{add glossary link to 3<sup>rd</sup> definition}~~fair value~~{add glossary link to 3<sup>rd</sup> definition}~~ less costs to sell, if significant, of investments (as required by Section 820-10-50) and a description of the methods and significant assumptions used to measure the reported value of insurance contracts, both of the following:

- a. ~~A description of the methods and significant assumptions used to determine the fair value of investments and the reported value of insurance contracts.~~
- b. ~~Identification of investments that represent 5 percent or more of the net assets available for benefits as of the end of the year. Consideration should be given to disclosing provisions of insurance contracts included as plan assets that could cause an impairment of the asset value upon liquidation or other occurrence (for example, surrender charges and market value adjustments).~~ **[Content amended and moved to paragraph 965-325-50-1A]**

**965-325-50-1A** Financial statement disclosures also shall include the identification ~~identification~~ of investments that represent 5 percent or more of the ~~{add glossary link}~~net assets available for benefits~~{add glossary link}~~ as of the end of the year. Consideration should be given to disclosing provisions of insurance contracts included as plan assets that could cause an impairment of the asset value upon liquidation or other occurrence (for example, surrender charges and ~~fair market-value~~ market value adjustments). **[Content amended as shown and moved from paragraph 965-325-50-1]**

284. Amend paragraph 965-325-55-1, with a link to transition paragraph 105-10-65-2, as follows: **[Note: the amendment to the glossary link is made in the current content as well as the pending content.]**

## Implementation Guidance and Illustrations

### > Implementation Guidance

**965-325-55-1** Implementation guidance in Section 962-325-55 illustrates the guidance in paragraphs 965-325-35-6 through 35-8 for the application of ~~{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}~~ fair value ~~{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}~~ less costs to sell, if significant, and contract value reporting for health and welfare plan investments. In each situation, value is determined within the context of the objectives of financial statements for a **defined contribution plan**. The valuation must reflect the ability of the plan to pay benefits from the perspective of the participants. This value is then reflected on participants' statements to disclose the amount they can expect to receive when they exercise their rights to withdraw, borrow, or transfer funds under the terms of the plan.

285. Amend paragraph 965-360-35-2, with a link to transition paragraph 105-10-65-2, as follows: **[Note: the amendment to the glossary link is made in the current content as well as the pending content.]**

## Plan Accounting—Health and Welfare Benefit Plans— Property, Plant, and Equipment

### Subsequent Measurement

**965-360-35-2** Plan investments in the form of real estate or other investments (excluding insurance contracts), shall be reported at their ~~{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}~~ fair value ~~{remove glossary link to 2<sup>nd</sup> definition and add glossary link to 3<sup>rd</sup> definition}~~ less costs to sell, if significant, at the financial statement date.

## Amendments to Subtopic 970-323

286. Amend paragraph 970-323-15-2, with no link to a transition paragraph, as follows:

## Real Estate—General—Investments—Equity Method and Joint Ventures

### Scope and Scope Exceptions

#### > Entities

**970-323-15-2** The guidance in this Subtopic does not apply to the following entities:

- a. Regulated investment entities and other entities that are required to account for investments at ~~quoted market value or fair value~~.

### Amendments to Subtopic 974-605

287. Amend paragraphs 974-605-25-1 through 25-2, with no link to a transition paragraph, as follows:

## Real Estate—Real Estate Investment Trusts—Revenue Recognition

### Recognition

#### > Operating Support of the Real Estate Investment Trust by the Adviser

**974-605-25-1** Various methods are employed by advisers to ensure a certain return to the **real estate investment trust** for certain periods. Some of these methods are:

- a. Purchasing a loan or a property at an amount in excess of ~~fair market~~ value
- b. Forgiving indebtedness
- c. Reducing advisory fees
- d. Providing required compensating balances
- e. Making outright cash payments.

**974-605-25-2** ~~Accounting~~ Appropriate accounting by a real estate investment trust for operating support from its adviser would include either of the following:

- a. Adjustment of any assets (or liabilities) which will be transferred between the entities to ~~fair current market~~ value as of the date of the transaction

- b. Recognition, as income or as a reduction of advisory fees, of the operating support effectively obtained.

## Amendments to Status Sections

288. Amend paragraph 105-10-00-1, by adding the following items to the table, as follows:

**105-10-00-1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
105-10-05-5	Amended	2012-04	10/01/2012
105-10-65-2	Added	2012-04	10/01/2012

289. Amend paragraph 210-10-00-1 as follows:

**210-10-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
210-10-45-2	Amended	2012-04	10/01/2012
210-10-45-10	Amended	2012-04	10/01/2012
210-10-45-13	Added	2012-04	10/01/2012

290. Amend paragraph 210-20-00-1, by adding the following items to the table, as follows:

**210-20-00-1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Cash	Added	2012-04	10/01/2012
210-20-15-3	Amended	2012-04	10/01/2012

210-20-55-18A	Added	2012-04	10/01/2012
210-20-60-3A	Added	2012-04	10/01/2012

291. Amend paragraph 220-10-00-1, by adding the following items to the table, as follows:

**220-10-00-1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
220-10-15-2	Amended	2012-04	10/01/2012
220-10-45-1B	Amended	2012-04	10/01/2012
220-10-55-12	Amended	2012-04	10/01/2012

292. Amend paragraph 230-10-00-1, by adding the following items to the table, as follows:

**230-10-00-1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Fair Value (3rd def.)	Added	2012-04	10/01/2012
230-10-15-4	Amended	2012-04	10/01/2012
230-10-45-21	Amended	2012-04	10/01/2012

293. Amend paragraph 250-10-00-1 as follows:

**250-10-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
250-10-50-5	Amended	2012-04	10/01/2012

294. Amend paragraph 255-10-00-1, by adding the following items to the table, as follows:

**255-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Current Market Value	Superseded	2012-04	10/01/2012
Fair Value (3rd def.)	Added	2012-04	10/01/2012
255-10-50-36	Amended	2012-04	10/01/2012
255-10-55-2	Amended	2012-04	10/01/2012

295. Amend paragraph 275-10-00-1 as follows:

**275-10-00-1** No updates have been made to this subtopic. The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (3rd def.)	Added	2012-04	10/01/2012
275-10-05-6	Amended	2012-04	10/01/2012
275-10-60-3A	Added	2012-04	10/01/2012
275-10-60-9	Superseded	2012-04	10/01/2012

296. Add paragraph 305-10-00-1 as follows:

**305-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
305-10-55-1	Superseded	2012-04	10/01/2012

297. Amend paragraph 310-10-00-1, by adding the following items to the table, as follows:

**310-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
310-10-30-4 through 30-6	Amended	2012-04	10/01/2012
310-10-45-4	Superseded	2012-04	10/01/2012
310-10-45-4A	Added	2012-04	10/01/2012
310-10-50-14	Amended	2012-04	10/01/2012

298. Amend paragraph 310-20-00-1 as follows:

**310-20-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
310-20-15-3	Amended	2012-04	10/01/2012
310-20-15-4	Amended	2012-04	10/01/2012
310-20-35-9	Amended	2012-04	10/01/2012

299. Amend paragraph 310-30-00-1, by adding the following items to the table, as follows:

**310-30-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Cash Flows Expected at Acquisition	Amended	2012-04	10/01/2012
310-30-60-2	Amended	2012-04	10/01/2012

300. Amend paragraph 310-40-00-1, by adding the following items to the table, as follows:

**310-40-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
310-40-35-2	Amended	2012-04	10/01/2012
310-40-35-6	Amended	2012-04	10/01/2012

301. Amend paragraph 320-10-00-1, by adding the following items to the table, as follows:

**320-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
320-10-15-3	Amended	2012-04	10/01/2012
320-10-25-5	Amended	2012-04	10/01/2012
320-10-35-30	Amended	2012-04	10/01/2012
320-10-35-32A	Amended	2012-04	10/01/2012
320-10-35-38	Amended	2012-04	10/01/2012
320-10-40-1	Amended	2012-04	10/01/2012
320-10-40-2	Amended	2012-04	10/01/2012
320-10-50-3	Amended	2012-04	10/01/2012
320-10-50-5	Amended	2012-04	10/01/2012
320-10-55-23	Amended	2012-04	10/01/2012

302. Amend paragraph 323-10-00-1, by adding the following items to the table, as follows:

**323-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
323-10-15-4	Amended	2012-04	10/01/2012
323-10-55-34	Amended	2012-04	10/01/2012
323-10-55-36	Amended	2012-04	10/01/2012
323-10-55-38	Amended	2012-04	10/01/2012
323-10-55-40	Amended	2012-04	10/01/2012
323-10-55-42	Amended	2012-04	10/01/2012
323-10-55-44	Amended	2012-04	10/01/2012

303. Amend paragraph 325-20-00-1as follows:

**325-20-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
325-20-25-2	Amended	2012-04	10/01/2012
325-20-35-1A	Amended	2012-04	10/01/2012

304. Amend paragraph 325-40-00-1, by adding the following item to the table, as follows:

**325-40-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
325-40-15-5	Amended	2012-04	10/01/2012

305. Amend paragraph 330-10-00-1 as follows:

**330-10-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
330-10-50-1	Amended	2012-04	10/01/2012

306. Amend paragraph 350-20-00-1, by adding the following items to the table, as follows:

**350-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
350-20-35-25	Amended	2012-04	10/01/2012
350-20-35-26	Amended	2012-04	10/01/2012
350-20-35-45	Amended	2012-04	10/01/2012
350-20-35-51	Amended	2012-04	10/01/2012
350-20-35-52 through 35-57	Superseded	2012-04	10/01/2012
350-20-40-1 through 40-7	Added	2012-04	10/01/2012
350-20-55-13	Amended	2012-04	10/01/2012
350-20-55-20	Amended	2012-04	10/01/2012

307. Amend paragraph 360-10-00-1 as follows:

**360-10-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
360-10-35-39	Amended	2012-04	10/01/2012
360-10-55-50 through 55-54	Added	2012-04	10/01/2012

308. Amend paragraph 360-20-00-1, by adding the following items to the table, as follows:

**360-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (3rd def.)	Added	2012-04	10/01/2012
360-20-15-4	Amended	2012-04	10/01/2012
360-20-15-5	Amended	2012-04	10/01/2012
360-20-15-7	Amended	2012-04	10/01/2012
360-20-15-8	Amended	2012-04	10/01/2012

309. Amend paragraph 405-20-00-1, by adding the following items to the table, as follows:

**405-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
405-20-55-2	Amended	2012-04	10/01/2012
405-20-55-4	Amended	2012-04	10/01/2012

310. Amend paragraph 410-20-00-1 as follows:

**410-20-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (3rd def.)	Added	2012-04	10/01/2012
410-20-55-27	Amended	2012-04	10/01/2012
410-20-55-66	Amended	2012-04	10/01/2012

311. Amend paragraph 410-30-00-1 as follows:

**410-30-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
410-30-25-4	Amended	2012-04	10/01/2012
410-30-35-10	Amended	2012-04	10/01/2012

312. Amend paragraph 460-10-00-1, by adding the following items to the table, as follows:

**460-10-00-1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Fair Value (3rd def.)	Added	2012-04	10/01/2012
460-10-55-15	Amended	2012-04	10/01/2012
460-10-55-16	Amended	2012-04	10/01/2012
460-10-55-18	Amended	2012-04	10/01/2012
460-10-60-28	Superseded	2012-04	10/01/2012
460-10-60-34	Superseded	2012-04	10/01/2012

313. Amend paragraph 470-10-00-1 as follows:

**470-10-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Operating Cycle	Added	2012-04	10/01/2012
470-10-05-5	Amended	2012-04	10/01/2012
470-10-25-3	Added	2012-04	10/01/2012
470-10-25-4	Added	2012-04	10/01/2012
470-10-35-4	Added	2012-04	10/01/2012
470-10-45-10	Amended	2012-04	10/01/2012
470-10-45-14	Amended	2012-04	10/01/2012
470-10-45-19	Amended	2012-04	10/01/2012
470-10-45-21	Amended	2012-04	10/01/2012

314. Amend paragraph 470-20-00-1, by adding the following items to the table, as follows:

**470-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Convertible Security	Added	2012-04	10/01/2012
470-20-05-5	Amended	2012-04	10/01/2012
470-20-05-6	Amended	2012-04	10/01/2012
470-20-25-4	Amended	2012-04	10/01/2012
470-20-25-11	Amended	2012-04	10/01/2012
470-20-35-4	Amended	2012-04	10/01/2012
470-20-35-7	Amended	2012-04	10/01/2012
470-20-45-3	Amended	2012-04	10/01/2012
470-20-55-1	Amended	2012-04	10/01/2012
470-20-55-3	Amended	2012-04	10/01/2012
470-20-55-4	Amended	2012-04	10/01/2012
470-20-55-6	Amended	2012-04	10/01/2012

315. Add paragraph 470-30-00-1 as follows:

**470-30-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
470-30-05-1	Amended	2012-04	10/01/2012
470-30-05-4	Amended	2012-04	10/01/2012
470-30-05-6	Amended	2012-04	10/01/2012
470-30-05-9	Amended	2012-04	10/01/2012
470-30-30-1	Amended	2012-04	10/01/2012
470-30-35-2	Amended	2012-04	10/01/2012
470-30-35-4	Amended	2012-04	10/01/2012
470-30-50-1	Amended	2012-04	10/01/2012

316. Amend paragraph 505-20-00-1, by adding the following items to the table, as follows:

**505-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (3rd def.)	Added	2012-04	10/01/2012
505-20-05-2	Amended	2012-04	10/01/2012
505-20-05-4	Amended	2012-04	10/01/2012

317. Amend paragraph 505-30-00-1 as follows:

**505-30-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (3rd def.)	Added	2012-04	10/01/2012
505-30-55-3	Amended	2012-04	10/01/2012

318. Amend paragraph 505-50-00-1 as follows:

**505-50-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
505-50-35-15	Amended	2012-04	10/01/2012

319. Amend paragraph 605-25-00-1, by adding the following items to the table, as follows:

**605-25-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (3rd def.)	Added	2012-04	10/01/2012
605-25-30-4	Amended	2012-04	10/01/2012

320. Amend paragraph 715-20-00-1, by adding the following item to the table, as follows:

**715-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
715-20-50-2	Amended	2012-04	10/01/2012

321. Amend paragraph 715-30-00-1, by adding the following items to the table, as follows:

**715-30-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
715-30-15-4A	Added	2012-04	10/01/2012
715-30-35-44	Amended	2012-04	10/01/2012

322. Amend paragraph 715-60-00-1 as follows:

**715-60-00-1** No updates have been made to this subtopic. The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
715-60-15-9A	Added	2012-04	10/01/2012
715-60-35-80	Amended	2012-04	10/01/2012

323. Add paragraph 715-70-00-1 as follows:

**715-70-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (3rd def.)	Added	2012-04	10/01/2012
715-70-15-2	Added	2012-04	10/01/2012
715-70-35-2	Superseded	2012-04	10/01/2012
715-70-55-7	Amended	2012-04	10/01/2012
715-70-55-9	Amended	2012-04	10/01/2012

324. Amend paragraph 715-80-00-1, by adding the following item to the table, as follows:

**715-80-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
715-80-35-1	Amended	2012-04	10/01/2012

325. Amend paragraph 718-10-00-1, by adding the following items to the table, as follows:

**718-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
718-10-25-1	Amended	2012-04	10/01/2012
718-10-25-17	Amended	2012-04	10/01/2012

326. Add paragraph 720-35-00-1 as follows:

**720-35-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
720-35-55-1	Amended	2012-04	10/01/2012

327. Amend paragraph 730-10-00-1, by adding the following item to the table, as follows:

**730-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
730-10-55-1	Amended	2012-04	10/01/2012

328. Amend paragraph 740-20-00-1 as follows:

**740-20-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Gains and Losses Included in Comprehensive Income but Excluded from Net Income	Amended	2012-04	10/01/2012

329. Amend paragraph 810-10-00-1, by adding the following items to the table, as follows:

**810-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (3rd def.)	Added	2012-04	10/01/2012
810-10-50-3	Amended	2012-04	10/01/2012
810-10-55-4J	Amended	2012-04	10/01/2012
810-10-55-4K	Amended	2012-04	10/01/2012
810-10-55-4M	Amended	2012-04	10/01/2012
810-10-55-17	Amended	2012-04	10/01/2012
810-10-55-123	Amended	2012-04	10/01/2012
810-10-55-128	Amended	2012-04	10/01/2012

330. Amend paragraph 810-30-00-1 as follows:

**810-30-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (3rd def.)	Added	2012-04	10/01/2012
810-30-55-1	Amended	2012-04	10/01/2012
810-30-55-3	Amended	2012-04	10/01/2012

331. Amend paragraph 815-10-00-1, by adding the following items to the table, as follows:

**815-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
815-10-05-11	Amended	2012-04	10/01/2012
815-10-05-13	Amended	2012-04	10/01/2012
815-10-15-1	Amended	2012-04	10/01/2012
815-10-15-17	Amended	2012-04	10/01/2012
815-10-15-19	Amended	2012-04	10/01/2012
815-10-15-59	Amended	2012-04	10/01/2012
815-10-25-9A	Amended	2012-04	10/01/2012
815-10-25-9B	Amended	2012-04	10/01/2012
815-10-55-22	Amended	2012-04	10/01/2012

332. Amend paragraph 815-15-00-1, by adding the following items to the table, as follows:

**815-15-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
815-15-30-3	Amended	2012-04	10/01/2012
815-15-55-8	Amended	2012-04	10/01/2012
815-15-55-18	Amended	2012-04	10/01/2012
815-15-55-55	Amended	2012-04	10/01/2012
815-15-55-99	Amended	2012-04	10/01/2012

333. Amend paragraph 815-20-00-1, by adding the following items to the table, as follows:

**815-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
815-20-05-4	Amended	2012-04	10/01/2012
815-20-25-15	Amended	2012-04	10/01/2012
815-20-55-6	Amended	2012-04	10/01/2012
815-20-55-119	Amended	2012-04	10/01/2012

334. Amend paragraph 815-35-00-1 as follows:

**815-35-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
815-35-35-20	Amended	2012-04	10/01/2012

335. Amend paragraph 815-40-00-1 as follows:

**815-40-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
815-40-15-8A	Added	2012-04	10/01/2012
815-40-25-18	Amended	2012-04	10/01/2012
815-40-55-42	Amended	2012-04	10/01/2012

336. Amend paragraph 815-45-00-1 as follows:

~~815-45-00-1~~ ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
815-45-55-6	Amended	2012-04	10/01/2012

337. Amend paragraph 820-10-00-1, by adding the following items to the table, as follows:

**820-10-00-1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
820-10-15-2	Amended	2012-04	10/01/2012
820-10-55-54	Amended	2012-04	10/01/2012
820-10-55-55	Amended	2012-04	10/01/2012

338. Amend paragraph 825-10-00-1, by adding the following item to the table, as follows:

**825-10-00-1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
825-10-50-3	Amended	2012-04	10/01/2012

339. Amend paragraph 835-10-00-1, by adding the following item to the table, as follows:

**835-10-00-1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
835-10-05-3	Amended	2012-04	10/01/2012

340. Amend paragraph 835-30-00-1 as follows:

**835-30-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
Fair Value (3rd def.)	Added	2012-04	10/01/2012
835-30-05-2	Amended	2012-04	10/01/2012
835-30-25-2	Amended	2012-04	10/01/2012
835-30-25-5	Amended	2012-04	10/01/2012
835-30-25-10	Amended	2012-04	10/01/2012
835-30-25-11	Amended	2012-04	10/01/2012

341. Amend paragraph 840-40-00-1 as follows:

**840-40-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
840-40-55-82 through 55-84	Amended	2012-04	10/01/2012

342. Amend paragraph 845-10-00-1, by adding the following items to the table, as follows:

**845-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
845-10-15-4	Amended	2012-04	10/01/2012
845-10-30-25A	Amended	2012-04	10/01/2012
845-10-55-2	Amended	2012-04	10/01/2012

343. Amend paragraph 852-10-00-1 as follows:

**852-10-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Reorganization Value	Amended	2012-04	10/01/2012
852-10-55-10	Amended	2012-04	10/01/2012
852-10-55-11	Amended	2012-04	10/01/2012

344. Amend paragraph 860-20-00-1, by adding the following items to the table, as follows:

**860-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
860-20-25-6	Amended	2012-04	10/01/2012
860-20-55-32	Amended	2012-04	10/01/2012

345. Add paragraph 932-330-00-1 as follows:

**932-330-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
932-330-35-1	Amended	2012-04	10/01/2012

346. Amend paragraph 932-360-00-1, by adding the following items to the table, as follows:

**932-360-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
932-360-35-14	Amended	2012-04	10/01/2012
932-360-55-15 through 55-19	Superseded	2012-04	10/01/2012
932-360-60-1	Added	2012-04	10/01/2012

347. Add paragraph 940-20-00-1 as follows:

**940-20-00-1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
940-20-25-7	Amended	2012-04	10/01/2012
940-20-35-1 through 35-3	Amended	2012-04	10/01/2012

348. Amend paragraph 940-320-00-1 as follows:

**940-320-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
940-320-30-2	Amended	2012-04	10/01/2012
940-320-35-1 through 35-3	Amended	2012-04	10/01/2012
940-320-45-4	Amended	2012-04	10/01/2012

349. Amend paragraph 940-820-00-1 as follows:

**940-820-00-1** The following table identifies the changes made to this Subtopic.

**Note:** Subtopic title changed by Accounting Standards Update No. 2011-04 on 5/12/11 from *Fair Value Measurements and Disclosures* to *Fair Value Measurement*.

Paragraph Number	Action	Accounting Standards Update	Date
940-820-30-1	Amended	2012-04	10/01/2012
940-820-50-1	Amended	2012-04	10/01/2012

350. Amend paragraph 942-310-00-1 as follows:

**942-310-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (3rd def.)	Added	2012-04	10/01/2012
942-310-30-1 through 30-3	Amended	2012-04	10/01/2012

351. Add paragraph 942-325-00-1 as follows:

**942-325-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
942-325-05-2	Amended	2012-04	10/01/2012

352. Amend paragraph 944-30-00-1, by adding the following items to the table, as follows:

**944-30-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
944-30-25-14	Amended	2012-04	10/01/2012
944-30-35-1A	Amended	2012-04	10/01/2012
944-30-35-3A	Added	2012-04	10/01/2012
944-30-35-19	Amended	2012-04	10/01/2012
944-30-35-20	Amended	2012-04	10/01/2012
944-30-35-22	Amended	2012-04	10/01/2012
944-30-35-53	Amended	2012-04	10/01/2012

353. Amend paragraph 944-40-00-1, by adding the following items to the table, as follows:

**944-40-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
944-40-25-13	Amended	2012-04	10/01/2012
944-40-25-25A	Added	2012-04	10/01/2012
944-40-30-19A	Added	2012-04	10/01/2012
944-40-30-20	Amended	2012-04	10/01/2012

354. Amend paragraph 944-80-00-1, by adding the following items to the table, as follows:

**944-80-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
944-80-35-1	Amended	2012-04	10/01/2012
944-80-35-2	Amended	2012-04	10/01/2012
944-80-35-10	Amended	2012-04	10/01/2012

355. Add paragraph 944-320-00-1 as follows:

**944-320-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
944-320-50-2	Added	2012-04	10/01/2012

356. Amend paragraph 944-605-00-1, by adding the following items to the table, as follows:

**944-605-00-1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
944-605-35-8	Amended	2012-04	10/01/2012
944-605-35-9	Amended	2012-04	10/01/2012

357. Amend paragraph 944-815-00-1 as follows:

**944-815-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
944-815-25-2	Amended	2012-04	10/01/2012

358. Amend paragraph 944-825-00-1, by adding the following items to the table, as follows:

**944-825-00-1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
944-825-50-1 through 50-3	Added	2012-04	10/01/2012
944-825-55-1 through 55-3	Superseded	2012-04	10/01/2012

359. Add paragraph 946-210-00-1 as follows:

**946-210-00-1** The following table identifies the changes made to this Subtopic.

Paragraph Number	Action	Accounting Standards Update	Date
946-210-45-18A	Added	2012-04	10/01/2012

360. Amend paragraph 946-320-00-1 as follows:

**946-320-00-1** ~~No updates have been made to this subtopic.~~ The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
946-320-35-11	Amended	2012-04	10/01/2012

361. Add paragraph 946-830-00-1 as follows:

**946-830-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
946-830-05-2	Amended	2012-04	10/01/2012
946-830-45-4	Amended	2012-04	10/01/2012
946-830-45-10	Amended	2012-04	10/01/2012
946-830-45-13 through 45-17	Amended	2012-04	10/01/2012
946-830-45-19	Amended	2012-04	10/01/2012
946-830-45-20	Amended	2012-04	10/01/2012
946-830-50-2	Amended	2012-04	10/01/2012
946-830-55-4	Amended	2012-04	10/01/2012
946-830-55-7	Amended	2012-04	10/01/2012
946-830-55-8	Amended	2012-04	10/01/2012
946-830-55-13	Amended	2012-04	10/01/2012

362. Amend paragraph 948-310-00-1, by adding the following items to the table, as follows:

**948-310-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (3rd def.)	Added	2012-04	10/01/2012
Most Advantageous Market	Added	2012-04	10/01/2012
Principal Market	Added	2012-04	10/01/2012
948-310-35-3	Amended	2012-04	10/01/2012
948-310-35-3A	Amended	2012-04	10/01/2012

363. Add paragraph 954-305-00-1 as follows:

**954-305-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
954-305-45-1	Amended	2012-04	10/01/2012

364. Add paragraph 954-320-00-1 as follows:

**954-320-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
954-320-05-1	Amended	2012-04	10/01/2012
954-320-15-1	Amended	2012-04	10/01/2012
954-320-35-1	Amended	2012-04	10/01/2012

365. Amend paragraph 954-430-00-1, by adding the following items to the table, as follows:

**954-430-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
954-430-45-1	Added	2012-04	10/01/2012
954-430-50-2	Amended	2012-04	10/01/2012

366. Amend paragraph 954-450-00-1, by adding the following item to the table, as follows:

**954-450-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
954-450-25-3	Amended	2012-04	10/01/2012

367. Amend paragraph 954-605-00-1, by adding the following items to the table, as follows:

**954-605-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
954-605-05-2	Amended	2012-04	10/01/2012
954-605-05-4	Amended	2012-04	10/01/2012

368. Amend paragraph 954-720-00-1, by adding the following item to the table, as follows:

**954-720-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
954-720-50-1	Amended	2012-04	10/01/2012

369. Amend paragraph 954-805-00-1, by adding the following item to the table, as follows:

**954-805-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
954-805-50-2	Amended	2012-04	10/01/2012

370. Amend paragraph 954-815-00-1, by adding the following item to the table, as follows:

**954-815-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
954-815-50-2	Added	2012-04	10/01/2012

371. Amend paragraph 958-10-00-1, by adding the following items to the table, as follows:

**958-10-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Nongovernmental Entity	Added	2012-04	10/01/2012
958-10-05-1	Amended	2012-04	10/01/2012

372. Amend paragraph 958-30-00-1, by adding the following items to the table, as follows:

**958-30-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
958-30-25-17	Amended	2012-04	10/01/2012
958-30-50-1	Amended	2012-04	10/01/2012

373. Amend paragraph 958-205-00-1, by adding the following items to the table, as follows:

**958-205-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
958-205-45-21A	Amended	2012-04	10/01/2012
958-205-55-21	Amended	2012-04	10/01/2012
958-205-55-22	Amended	2012-04	10/01/2012
958-205-55-32	Amended	2012-04	10/01/2012
958-205-55-38	Amended	2012-04	10/01/2012
958-205-55-40	Amended	2012-04	10/01/2012

374. Add paragraph 958-210-00-1 as follows:

**958-210-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
958-210-45-8	Amended	2012-04	10/01/2012

375. Amend paragraph 958-225-00-1, by adding the following item to the table, as follows:

**958-225-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
958-225-45-11	Amended	2012-04	10/01/2012

376. Amend paragraph 958-310-00-1, by adding the following items to the table, as follows:

**958-310-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
958-310-35-7 through 35-9	Amended	2012-04	10/01/2012
958-310-35-11	Amended	2012-04	10/01/2012
958-310-35-12	Amended	2012-04	10/01/2012
958-310-55-1	Amended	2012-04	10/01/2012

377. Amend paragraph 958-320-00-1, by adding the following items to the table, as follows:

**958-320-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
958-320-15-1A	Added	2012-04	10/01/2012
958-320-45-5	Amended	2012-04	10/01/2012
958-320-45-6	Amended	2012-04	10/01/2012

378. Amend paragraph 958-325-00-1, by adding the following items to the table, as follows:

**958-325-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
958-325-35-1	Amended	2012-04	10/01/2012
958-325-35-3	Amended	2012-04	10/01/2012
958-325-35-5	Amended	2012-04	10/01/2012
958-325-35-5A	Added	2012-04	10/01/2012
958-325-35-7	Amended	2012-04	10/01/2012

379. Add paragraph 958-470-00-1 as follows:

**958-470-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
958-470-05-1	Amended	2012-04	10/01/2012

380. Amend paragraph 958-605-00-1, by adding the following items to the table, as follows:

**958-605-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
958-605-35-3	Amended	2012-04	10/01/2012
958-605-55-6	Amended	2012-04	10/01/2012
958-605-55-110	Amended	2012-04	10/01/2012

381. Amend paragraph 958-720-00-1, by adding the following items to the table, as follows:

**958-720-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
958-720-45-7	Amended	2012-04	10/01/2012
958-720-45-13	Amended	2012-04	10/01/2012
958-720-45-14	Amended	2012-04	10/01/2012

382. Amend paragraph 958-810-00-1, by adding the following items to the table, as follows:

**958-810-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (2nd def.)	Superseded	2012-04	10/01/2012
Fair Value (3rd def.)	Added	2012-04	10/01/2012
958-810-15-4	Amended	2012-04	10/01/2012
958-810-55-3	Amended	2012-04	10/01/2012
958-810-55-4	Amended	2012-04	10/01/2012

383. Add paragraph 960-20-00-1 as follows:

**960-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
960-20-45-2	Amended	2012-04	10/01/2012

384. Add paragraph 960-40-00-1 as follows:

**960-40-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
960-40-35-1	Amended	2012-04	10/01/2012

385. Add paragraph 960-325-00-1 as follows:

**960-325-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
960-325-50-1	Amended	2012-04	10/01/2012

386. Add paragraph 962-40-00-1 as follows:

**962-40-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
962-40-35-1	Amended	2012-04	10/01/2012

387. Add paragraph 962-205-00-1 as follows:

**962-205-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
962-205-45-3	Amended	2012-04	10/01/2012
962-205-45-7	Amended	2012-04	10/01/2012

388. Amend paragraph 962-325-00-1, by adding the following items to the table, as follows:

**962-325-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Level 1 Inputs	Added	2012-04	10/01/2012
Net Assets Available for Benefits	Added	2012-04	10/01/2012
962-325-35-1A	Added	2012-04	10/01/2012
962-325-35-2 through 35-4	Amended	2012-04	10/01/2012
962-325-45-7	Amended	2012-04	10/01/2012
962-325-50-1	Amended	2012-04	10/01/2012
962-325-50-1A	Added	2012-04	10/01/2012
962-325-55-3	Amended	2012-04	10/01/2012
962-325-55-4	Amended	2012-04	10/01/2012
962-325-55-7	Amended	2012-04	10/01/2012
962-325-55-8	Amended	2012-04	10/01/2012

389. Add paragraph 965-20-00-1 as follows:

**965-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (2nd def.)	Superseded	2012-04	10/01/2012
Fair Value (3rd def.)	Added	2012-04	10/01/2012
965-20-30-1	Amended	2012-04	10/01/2012
965-20-45-1	Amended	2012-04	10/01/2012

390. Add paragraph 965-40-00-1 as follows:

**965-40-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
965-40-35-1	Amended	2012-04	10/01/2012

391. Add paragraph 965-205-00-1 as follows:

**965-205-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (2nd def.)	Superseded	2012-04	10/01/2012
Fair Value (3rd def.)	Added	2012-04	10/01/2012
965-205-50-1	Amended	2012-04	10/01/2012
965-205-55-4	Amended	2012-04	10/01/2012
965-205-55-6	Amended	2012-04	10/01/2012

392. Add paragraph 965-320-00-1 as follows:

**965-320-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (2nd def.)	Superseded	2012-04	10/01/2012
Fair Value (3rd def.)	Added	2012-04	10/01/2012
965-320-25-1	Amended	2012-04	10/01/2012
965-320-35-1	Amended	2012-04	10/01/2012
965-320-40-1	Amended	2012-04	10/01/2012
965-320-50-1	Amended	2012-04	10/01/2012

393. Add paragraph 965-325-00-1 as follows:

**965-325-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (2nd def.)	Superseded	2012-04	10/01/2012
Fair Value (3rd def.)	Added	2012-04	10/01/2012
Net Assets Available for Benefits	Added	2012-04	10/01/2012
965-325-35-1	Amended	2012-04	10/01/2012
965-325-35-1A	Added	2012-04	10/01/2012
965-325-45-2	Amended	2012-04	10/01/2012
965-325-50-1	Amended	2012-04	10/01/2012
965-325-50-1A	Added	2012-04	10/01/2012
965-325-55-1	Amended	2012-04	10/01/2012

394. Add paragraph 965-360-00-1 as follows:

**965-360-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
Fair Value (2nd def.)	Superseded	2012-04	10/01/2012
Fair Value (3rd def.)	Added	2012-04	10/01/2012
965-360-35-2	Amended	2012-04	10/01/2012

395. Amend paragraph 970-323-00-1, by adding the following item to the table, as follows:

**970-323-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
970-323-15-2	Amended	2012-04	10/01/2012

396. Add paragraph 970-720-00-1 as follows:

**970-720-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
970-720-05-3	Amended	2012-04	10/01/2012

397. Add paragraph 974-605-00-1 as follows:

**974-605-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
974-605-25-1	Amended	2012-04	10/01/2012
974-605-25-2	Amended	2012-04	10/01/2012

398. Amend paragraph 985-20-00-1, by adding the following item to the table, as follows:

**985-20-00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
985-20-25-9	Amended	2012-04	10/01/2012

*The amendments in this Update were adopted by the affirmative vote of five members of the Financial Accounting Standards Board. Messrs. Buck and Schroeder abstained from voting.*

*Members of the Financial Accounting Standards Board:*

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

# Background Information and Basis for Conclusions

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BC1. Paragraphs BC3 through BC24 summarize the Board's considerations in reaching the conclusions in Section B—Conforming Amendments Related to Fair Value Measurement in this Update. They include reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others. The reason for each amendment in Section A—Technical Corrections and Improvements, is provided before each amendment for clarity and ease of understanding. Paragraphs BC25 through BC28 relate to both Section A and Section B.

BC2. The Board issued an Exposure Draft of a proposed Update, *Technical Corrections*, on October 14, 2011. The Board received 17 comment letters on the Exposure Draft. Most respondents agreed with the majority of the proposed amendments. The Board considered those comments during its redeliberations of the Exposure Draft at public meetings on May 30, 2012, and July 25, 2012.

## Introduction

BC3. The amendments in this Update are meant to conform various Topics of the Codification to fully reflect the measurement and disclosure requirements of Topic 820, Fair Value Measurement. The amendments are not intended to require any new fair value measurements. The amendments are primarily conforming terminology changes and certain clarifications and are not intended to substantively change the application of U.S. GAAP. However, it is possible that certain amendments may result in a change to existing practice.

## Conforming Amendments

BC4. The amendments in this Update contain a number of changes that are editorial in nature. These changes will improve understandability and conform terminology where the intent is a fair value measurement under Topic 820. For example, several of the amendments change the terms *current market value* and *market value* to *fair value* and the term *mark to market* to *subsequently measure at fair value*. The expression *mark to market* is a generic term that potentially could have different interpretations. This wording change clarifies that the measurement objective is fair value.

## Amendments to Reflect Application of Blockage Factors in a Fair Value Measurement

BC5. In the Accounting Standards Update No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, the FASB and the International Accounting Standards Board (Boards) decided to prohibit the application of blockage factors for fair value measurements at all levels of the fair value hierarchy. A blockage factor is a premium or discount applied in measuring the value of a security to reflect the impact on the quoted price of selling a large block of the security or other financial instruments at one time. That is, the blockage factor adjusts the value of the security because a market's normal daily trading volume is not sufficient to absorb the quantity held by the reporting entity, and selling the position in a single transaction might affect the quoted price of the security.

BC6. The Boards' decision was based on the notion that a reporting entity's decision to transact in a particular way is specific to that reporting entity, not to the asset or liability. The decision to incur a blockage factor is specific to the reporting entity. Because a blockage does not prohibit an entity from estimating fair value, it should not be used to exclude the use of fair value, even when a reporting entity expects to incur a blockage factor upon the sale of an asset or a liability.

## Amendments to the Master Glossary—Fair Value (Definition 2)

BC7. Throughout this Update, the amendment instructions refer to the 1<sup>st</sup> glossary definition (Definition 1), the 2<sup>nd</sup> glossary definition (Definition 2), or the 3<sup>rd</sup> glossary definition (Definition 3). Definition 1 originates from Statement 123(R), Definition 2 originates from SOP 92-6, and Definition 3 originates from Statement 157.

BC8. The Board concluded that Definition 2 should be removed from the Codification. The measurement objective in Definition 2, included in Topic 965, Plan Accounting—Health and Welfare Benefit Plans, is similar to that in Topic 820. However, because the objective of Topic 820 was to have a single definition of fair value, together with a framework for measuring fair value, Master Glossary links to Definition 2 (SOP 92-6) are being replaced with Master Glossary links to Definition 3, which is the definition of *fair value* included in Topic 820. Additionally, the links to Definition 2 that were erroneously linked to Subtopic 958-810, Not-for-Profit Entities—Consolidation, are being replaced with the correct link to Definition 3.

BC9. The last sentence in Definition 2 reads as follows: “The fair value of an investment shall be reported net of the brokerage commissions and other costs normally incurred in a sale.” Because Topic 820 did not eliminate the requirement to reduce the fair value of plan assets and investments by such “selling costs” if those costs are significant, the last sentence in Definition 2 has continuing relevance to defined contribution pension plans and health and welfare benefit plans. That sentence has been included in the amendments in paragraphs 962-325-35-1A and 965-325-35-1A.

BC10. Additionally, subsequent references to the SOP 92-6 definition of fair value in Topic 965 have been amended to *fair value less costs to sell, if significant*. This is consistent with the amendments that were made to FASB Statements No. 35, *Accounting and Reporting by Defined Benefit Pension Plans*, No. 87, *Employers’ Accounting for Pensions*, and No. 106, *Employers’ Accounting for Postretirement Benefits Other Than Pensions*, by FASB Statement No. 157, *Fair Value Measurements* (codified in Topic 820). Those Statements are now codified in Topic 960, Plan Accounting—Defined Benefit Pension Plans, and Subtopics 715-30, Compensation—Retirement Benefits—Defined Benefit Plans—Pension, and 715-60, Compensation—Retirement Benefits—Defined Benefit Plans—Other Postretirement, respectively, and require that the fair value of plan assets be reduced by brokerage commissions (selling costs) and other costs normally incurred in a sale if those costs are significant.

## Amendments to the Master Glossary—Current Market Value

BC11. The Board decided to replace the term *current market value* with *fair value* throughout the Codification. The definitions of the two terms have the same meaning, but *fair value* is consistent with Topic 820.

## Amendments to the Master Glossary—Reorganization Value

BC12. The Board concluded that fair value as used in the definition for *reorganization value* should be changed to *value*. The reorganization value for an entity is generally tied to legal proceedings, and the Board concluded that it is not necessarily intended in all circumstances to be a fair value measurement in accordance with Topic 820.

## Amendments to Topic 230—Statement of Cash Flows

BC13. One of the conditions in paragraph 230-10-15-4(c) specifically refers to using a matrix pricing technique to qualify for the exemption from providing a statement of cash flows. However, a matrix pricing technique can result in either

a Level 2 or Level 3 measurement. The fair value hierarchy prioritizes the inputs used in valuation techniques rather than the techniques themselves. Furthermore, the existing paragraph states that the condition to be exempt would not be met if the securities were measured by relying on the good faith of the directors when the market value is not readily determinable. The concept of measuring fair value on the basis of the good faith of the board of directors most closely coincides with a Level 3 input, which uses unobservable inputs that are developed on the basis of the best information available in the circumstances. To conform to the fair value hierarchy, the Board concluded that the conditions described in paragraph 230-10-15-4(c) should be amended to state that to be exempt from the requirement to provide a statement of cash flows, substantially all of an investment company's investments must be measured at fair value using either Level 1 or Level 2 inputs. If substantially all of an investment company's investments are not measured using Level 1 or 2 inputs, the condition to be exempt from preparing a statement of cash flows would not be met.

## Amendments to Topic 255—Changing Prices

BC14. The first part of the definition of *current market value* in paragraph 255-10-50-36 reads, "The amount of cash, or its equivalent, expected to be derived from the sale of an asset. . . ." This is similar to the measurement objective of fair value as defined under Topic 820. However, the definition of *current market value* also notes that the measurement is "net of costs required to be incurred as a result of the sale." Consequently, the Board concluded that *current market value* as used in paragraph 255-10-50-36 should be amended to *fair value* and the modifier *less costs to sell* should be added to stay consistent with the definition of *current market value*.

## Amendments to Topic 310—Receivables

BC15. Paragraphs 310-10-30-4 and 835-30-25-2 are amended to replace *market value* with *quoted prices*. These paragraphs state that "when notes are traded in an open market, the market rate of interest and market value of the notes provide the evidence of the present value." The Board concluded that *market value* was ambiguous, because its use could lead to interpreting it as a Topic 820 fair value measurement, and that *quoted price* would more accurately capture the intent of the measurement guidance in these paragraphs and clarify that because there is a quoted price, there is a liquid market.

## Amendments to Topic 410—Asset Retirement and Environmental Obligations

BC16. The Board decided to delete the reference to *fair value* when measuring the amount of a potential recovery in paragraph 410-30-35-10, because fair value as used in this context is not intended to be a Topic 820 fair value measurement. Environmental remediation liabilities are considered loss contingencies and are subject to the recognition and disclosure requirements of Topic 450, Contingencies. Topic 450 requires a liability to be recognized when the event of loss is considered both “probable” and “reasonably estimable.” Subtopic 410-30, Asset Retirement and Environmental Obligations—Environmental Obligations, provides guidance regarding what costs to include in the estimate once the “probable” criteria of Topic 450 have been satisfied. Environmental activities are strictly regulated by federal, state, and local governments. As a result, estimation of an environment remediation liability can be complex and could also span several years.

## Amendments to Topic 815—Derivatives and Hedging

BC17. The Board decided to change the references from *market value* to *value* in paragraphs 815-10-05-11 and 815-10-05-13. *Fair value* may not be appropriate because that is not necessarily going to be the value a customer receives when the contract is terminated before maturity. The Board elected not to retain *market value*, because *market value* is not a defined term, is ambiguous, and potentially could suggest that a fair value measurement was the intent.

## Amendments to Subtopic 835-30—Interest—Imputation of Interest

BC18. The amendments replace *market value* with *quoted price* in paragraphs 310-10-30-4 and 835-30-25-2. See paragraph BC15 for additional information.

## Amendments to Topic 940—Financial Services—Broker and Dealers

BC19. Paragraph 940-820-30-1 is amended to eliminate “size of position held” as a factor to be considered in determining fair value. The size of position held is related to the ability to apply a blockage factor to a large block of shares held. See paragraphs BC5 and BC6 for a further discussion of blockage factors.

BC20. The liquidity of the market or, rather, changes in the liquidity of the market (for example, to a market that becomes illiquid) are factored into the determination of fair value.

## Amendments to Subtopic 948-310—Financial Services—Mortgage Banking—Receivables

BC21. The guidance for measuring fair value in paragraph 948-310-35-3(b) is amended to replace the reference to *market in which the mortgage banking entity normally operates* with *principal market or, in the absence of a principal market, in the most advantageous market*. This change is meant primarily to clarify and conform the language to the guidance in Topic 820.

BC22. The Board also decided to delete paragraph 948-310-35-3(c), which considers management's intent in measuring fair value. Under Topic 820, management's intent regarding the asset or liability is not a relevant factor in measuring fair value. Fair value is a market-based, rather than an entity-specific, measurement.

## Amendments to Topic 958—Not-for-Profit Entities

BC23. Paragraph 958-310-35-1 provides guidance on the subsequent measurement of contributions receivable when a not-for-profit entity has elected the fair value option. The remainder of Section 958-310-35 only provides guidance on the measurement of contributions receivable when a not-for-profit entity has not elected the fair value option. The Board concluded that the use of the term *fair value* in this guidance is misleading because a fair value measurement in accordance with Topic 820 is not the intent of subsequent measurement of contributions receivable. Therefore, the amendments include replacing the term *fair value* in this Section and in the implementation guidance in paragraph 958-310-55-1 with *value* when discussing the measurement of the contributions receivable.

## Amendments to Topics 962—Plan Accounting—Defined Contribution Pension Plans and 965—Plan Accounting—Health and Welfare Benefit Plans

BC24. The definition of fair value originating from SOP 92-6 generally is consistent with the Topic 820 fair value definition. However, because the objective of Statement 157 was to have one consistent definition of fair value, this definition is deleted. The last sentence of this definition relating to the accounting for brokerage commissions is included in paragraphs 962-325-35-1A

and 965-325-35-1A. Subsequent references to the SOP 92-6 definition of fair value in this Topic are amended to *fair value less costs to sell, if significant*. See paragraph BC10 for additional information on this amendment.

## Continuing Care Retirement Communities

BC25. The proposed Update included an amendment to guidance for continuing care retirement communities. Some Board members questioned the awareness of the proposed amendments within the Exposure Draft given the significance of the effect on continuing care retirement communities. The proposed amendments had been exposed by the AICPA before their exposure in the proposed Update on technical corrections. In addition, staff outreach indicated that a substantial portion of the continuing care retirement community industry was aware of the proposed amendments. However, to provide greater visibility to stakeholders, the Board decided to finalize the proposed amendments in a separate Update. This Update, Accounting Standards Update 2012-01, *Healthcare Entities (Topic 954): Continuing Care Retirement Communities—Refundable Advance Fees*, was issued July 24, 2012.

## Transition

BC26. The Board does not expect the majority of the amendments to change current practice. However, during the Board's due process procedures, the staff evaluated which amendments would have a greater potential to change practice. These amendments were highlighted during the comment letter process and the Board decided to offer transition guidance for them. Those amendments will be effective for fiscal periods beginning after December 15, 2012, except for nonpublic entities which will have an effective date for fiscal periods beginning after December 15, 2013. The cumulative effect of the change in accounting principle related to the amendments that have transition guidance will be recognized as an adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) of the fiscal year in which those amendments will first be applied. Additionally, entities may elect to apply these amendments retrospectively. The remainder of the amendments will be effective upon issuance and should be disclosed in accordance with the disclosure requirements of Topic 250, Accounting Changes and Error Corrections.

## Benefits and Costs

BC27. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation

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

BC28. The Board does not anticipate that entities will incur significant costs as a result of the amendments in this Update. The amendments provide the benefit of improving consistent application of U.S. GAAP by clarifying guidance that already exists within U.S. GAAP. The amendments will not create new accounting requirements, and the Board does not expect that the amendments will result in significant changes in practice. Therefore, the Board concluded that the cost of implementing the amendments will not be significant.

## Amendments to the XBRL Taxonomy

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The FASB will expose for public comment the changes to the US GAAP Financial Reporting Taxonomy (UGT) that are a result of this Update. The proposed changes to the UGT will be available on the FASB website on or about September 1, 2012.

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