Summary of Issues for the September 13, 2013 EITF Meeting*
Issues Arranged in Proposed Agenda Order

AGENDA ITEM:	**ADMINISTRATIVE MATTERS** -Welcome -Announcements	**PROPOSED TIME:** 8:30 - 8:45 **STAFF:** Or

AGENDA ISSUE:	**Issue No. 13-B** "Accounting for Investments in Qualified Affordable Housing Projects"	**PROPOSED TIME:** 8:45 – 9:45 **STAFF:** Brown/Klumpp

ISSUES/VIEWS	MEETING NOTES
Document: Issue Summary No. 1, Supplement No. 1; Attachment 13-BA (draft Update); Example Spreadsheet; Comment Letters **Background** At the March 14, 2013 EITF meeting, the Task Force reached a consensus-for-exposure that an entity may elect to account for its Low Income Housing Tax Credit (LIHTC) investment using the effective yield method if all of the following conditions are met: a. It is probable that the tax credits allocable to the investor will be available. b. The investor retains no operational influence over the LIHTC investment other than protective rights, and substantially all of the projected benefits are from tax credits and other tax benefits (for example, tax benefits generated from the operating losses of the investment). c. The investor's projected yield based solely on the cash flows from the tax credits and other tax benefits is positive. d. The investor is a limited liability investor in the affordable housing project for both legal and tax purposes, and the investor's liability is limited to its capital investment. **Summary of Comment Letters Received, FASB Staff Analysis, and Recommendation** Seventy-three comment letters were received on the proposed Update. All 73 comment letters received on the proposed Update generally agreed with the main principles of the proposed amendments but suggested changes to make the Update more operable. ***Scope*** Respondents generally agreed that an entity should meet the conditions in the proposed Update in order to elect to account for the investment in a qualified affordable housing project using the effective yield method. However, 11 respondents expressed concern that the proposed condition of "no operational influence" may be overly restrictive and would be inconsistent with the fundamentals of equity investments. Based on the comments received, the FASB staff believes that the condition in paragraph 323-740-15-3(aa) of the proposed Update should be clarified and recommends revising that condition as follows (additions are underscored and deletions are ~~struck through~~): The investor retains no ~~operational influence over~~ substantive **participating rights** (as defined in Section 820-20-20 glossary) in the LIHTC investment ~~other than protective rights~~, and substantially all of the projected benefits are from tax credits and other tax benefits (for example, tax benefits generated from the operating losses of the	

* **This summary of the Issues was prepared for the convenience of the Task Force and others and should not be considered a substitute for the complete issue summaries.**

investment).

Some respondents also indicated that the requirement that substantially all of the projected benefits be from tax credits and other tax benefits should be clarified or revised to address other arrangements between the investor and the limited liability entity. The FASB staff believes that certain transactions between the investor and the limited liability entity, other than the investment in the limited liability entity, should not preclude a reporting entity from applying this guidance as long as the primary purpose of investing in the limited liability entity is to receive the tax credits and other tax benefits and not to provide other services, such as loans to the affordable housing project, and as long as the investor does not acquire substantive participating rights as a result of the transaction. Therefore, the FASB staff recommends that the Update include the following:

> **323-740-25-1A** Other transactions (for example, bank loans) between the investor and the limited liability entity shall not be considered when determining whether the conditions for the effective yield method are met, provided that all three of the following are true:
>
> The reporting entity is in the business of entering into such other transactions (for example, a financial institution that regularly extends loans to other housing projects).
>
> The transactions are entered into at market rates commensurate to rates offered to other counterparties with similar credit quality
>
> The reporting entity does not acquire substantive participating rights as a result of these transactions.

While the proposed Update does not specify when the conditions to elect the effective yield method should be evaluated, the FASB staff believes that the intent was that they would be evaluated at the time of initial investment or upon occurrence of an event that changes the nature and design of the entity. Therefore, the FASB staff recommends adding clarifying language to the Update (see Attachment 13-BA of the Issue Supplement).

The FASB staff also believes that a reporting entity should test the LIHTC investment for impairment if changes in facts and circumstances indicate that it is no longer probable that the tax credits allocable to the investor will be available. As this requirement is currently included in paragraph 325-20-35-6 for a cost method investment in affordable housing projects with allocated tax credits, the FASB staff recommends adding clarifying language to the Update (see Attachment 13-BA of the Issue Supplement).

Question 1: Does the Task Force agree with the staff recommendation to revise the condition in paragraph 323-740-15-3(aa) as proposed in paragraph 14 of the Issue Supplement and retain all other conditions as proposed?

Question 2: Does the Task Force agree with the following staff recommendations?

- **a. Certain other arrangements between the investor and the limited liability entity should not be included in the determination of whether the conditions are met in order to elect to use the effective yield method, provided that the primary business purpose of the reporting entity is to enter into such other transactions, the transactions are entered into at market rates commensurate to rates offered to other counterparties with similar credit quality, and the reporting entity does not acquire substantive participating rights as a result of these transactions.**
- **b. A reporting entity should only evaluate whether the conditions have been met to elect to apply the effective yield method to LIHTC investments at the time of initial investment or upon occurrence of an event that changes the nature and design of the entity.**
- **c. A reporting entity should test a LIHTC investment for impairment if an event occurs or circumstances change that would indicate that it is no longer probable that the original amount of tax credits allocable to the investor will be available.**

Measurement

The respondents overwhelmingly agreed with the proposed Update's main principle that a qualifying LIHTC investment should be accounted for under an alternative method such as the effective yield method. However, because of the potential complexities associated with the effective yield method, many of the respondents also supported a proportional or ratable amortization method.

Based on the feedback received, the FASB staff recommends revising the proposed Update to change the method of amortizing a qualified LIHTC investment from the effective yield method to a proportional amortization method in which the cost of the investment is amortized each reporting period in proportion to the tax credits received. Consistent with the feedback received and proposed Update, the FASB staff believes that the resulting amortization should be recognized as a component of income taxes attributable to continuing operations consistent with the proposed Update. The amortization amount under that method would be calculated as follows:

Gross investment balance × Percentage of tax credits allocated to the investor in the current period (Actual tax credits allocated to the investor in the current period ÷ the total estimated tax credits expected to be received during the life of the LIHTC investment) (An entity would reassess and adjust the estimated amount of total tax credits expected to be received each reporting period.)

Question 3: Does the Task Force agree with the staff recommendation to change the method of amortizing an LIHTC investment from the effective yield method to a proportional amortization method described above?

Disclosure

The proposed Update includes disclosure objectives and provides a list of example disclosures that a reporting entity may consider to meet those objectives. Most respondents who provided feedback on the disclosure section of the proposed Update indicated that they generally agreed with the example disclosures. Also, because they are not required disclosures but only disclosures to be considered, the FASB staff recommends that the Task Force affirm its consensus-for-exposure related to the disclosure objectives and provide example disclosures consistent with the proposed Update with one exception: the FASB staff recommends removing the example disclosure related to regulatory reviews based on comments received from respondents.

Question 4: Does the Task Force wish to affirm its consensus-for-exposure that the Update include disclosure objectives while providing a listing of example disclosures to meet those objectives?

Transition and Early Adoption

Most respondents who commented on transition agreed that the proposed amendments should be applied using a retrospective approach. The FASB staff notes that applying the proposed amendments retrospectively would improve the consistency between periods and therefore the usefulness of the financial statements. If the Task Force decides to change the method of amortizing the investment to a proportional amortization method, the FASB staff recommends that the Task Force affirm its consensus-for-exposure that an entity should apply the proposed amendments retrospectively. All respondents that commented on early adoption agreed that early adoption of the proposed amendments should be permitted.

Question 5: Does the Task Force wish to affirm its consensus-for-exposure that an entity should apply the proposed amendments retrospectively, with early adoption permitted as of the beginning of the fiscal year of adoption for financial statements not yet issued?

Effective Date

The FASB staff notes that the effective yield method may require more time to implement than a proportional amortization approach;

however, reporting entities with a significant number of investments in affordable housing projects may require significant time to implement either approach. The FASB staff recommends that the amendments be effective for fiscal years beginning after December 15, 2014, and interim periods within those years. In addition, the FASB staff believes that given the timing of the issuance of the Update, and the opportunity for early adoption, the effective date need not be further delayed for nonpublic entities. **Question 6: Does the Task Force agree with the FASB staff recommendation that the amendments in the proposed Update should be effective for fiscal years (and interim reporting periods within those years) beginning after December 15, 2014?** ***Other Tax Credit Investments*** The FASB staff notes that other tax credit programs have similar characteristics to the LIHTC program; however, not all of the currently proposed criteria may be appropriate for all tax credit investments. There are additional facts and circumstances that should be considered before the scope of this guidance is expanded. The FASB staff also notes that expanding the scope of the proposed Update to include other tax credit investments may potentially result in re-exposure of the proposed Update. Additionally, the FASB staff notes that the FAF's is conducting a Post-Implementation Review (PIR) of Income Taxes currently which could help the staff obtain additional feedback before proceeding with an expanded scope. **Question 7: Does the Task Force wish to preclude reporting entities from analogizing to the guidance in the proposed Update for tax credit investments other than LIHTC investments, and recommend that the Board add a separate project about whether the proposed guidance should be extended to other types of tax credit investments?**	

AGENDA ISSUE:	**Issue No. 13-D** "Determining Whether a Performance Target That Can Be Met after the Requisite Service Period Is a Performance Condition or a Condition That Affects the Grant-Date Fair Value of the Awards"	**PROPOSED TIME:** 10:00 – 11:00 **STAFF:** Mottley/Schilb

ISSUES/VIEWS	MEETING NOTES
Document: Issue Summary No. 1, Supplement No. 1 **Background** At the June 11, 2013 EITF meeting, the Task Force considered the issue of whether a performance target that can be achieved after the requisite service period is a performance condition or a condition that affects the grant-date fair value of the awards ("nonvesting condition"). The definition of a performance condition does not specify that the employee must be rendering service when the performance target is achieved. Accordingly, when a performance target can be achieved after the requisite service period ends and there is no forfeiture of the award, stakeholders indicate that there is diversity in practice about whether the performance target should be treated as (a) a performance condition that affects the vesting of an award, (b) a non-vesting condition that affects the grant-date fair value of the award, or (c) a factor that would result in the award being classified as a liability in accordance with paragraph 718-10-25-13. **Alternative Views** *View A: Performance Condition Approach* Under View A, the performance target for awards within the scope of this Issue is treated as a performance condition that affects vesting. Performance conditions that affect vesting are not reflected in estimating the grant date fair value of the award. Compensation cost is recognized when the achievement of the performance condition is considered "probable," which may be some years after the requisite service period when the recipient is no longer in service or, possibly, never. Any previously recognized compensation cost is reversed if the performance target is not achieved or the requisite service is not rendered. *View B: Non-vesting Condition Approach* Under View B, the performance target for awards within the scope of this Issue is treated as a non-vesting condition and is reflected in estimating the grant date fair value of the award. Compensation cost is recognized over the requisite service period, irrespective of when, if ever, the performance target is satisfied. Any previously recognized compensation cost is reversed only if the requisite service is not rendered. *New View C: "Substantial Coincidence" Approach – New Alternative*[1] Rather than providing determinative guidance such as in View A and View B, View C would provide interpretive guidance on when a performance target that is allowed to be achieved after the requisite service period should be treated as a performance condition. The performance target would qualify as a performance condition when the requisite service period "substantially coincides" with the measurement period of the performance target. Judgment would be required to assess whether the two time periods substantially	

[1] The Task Force largely dismissed the liability approach (the old View C in Issue Summary 1) for awards within the scope of this Issue (unless they would otherwise qualify for the liability classification under Topic 718) because that treatment is rarely observed in practice and is conceptually weaker than the other approaches.

coincide with one another.

Staff Analysis and Outreach

The Task Force directed the FASB staff to perform additional analyses on this Issue in respect of View A and View B to assist the Task Force in making its decision. There was diversity in user feedback received by the staff. The staff interprets the diversity in users' views to reflect an uneasiness in the binary outcome that occurs between View A and View B. That is, the performance target is treated as either a performance condition that affects vesting or is treated as a non-vesting condition. That reflects the tension between when the economic interest in the award vests and when the actual vesting of the award occurs.

Retirement-Eligible Employees

The Task Force requested that the staff analyze how View A and View B would affect awards issued to retirement-eligible employees and to employees who become retirement-eligible during the measurement period of the performance target. It is common in share-based payment plans that an employee can retire after the grant date and is entitled to receive the same awards as if they had remained in service. In those cases, when an entity grants an award to a retirement-eligible employee that contains a performance target, the recipient does not need to be rendering service when the performance target is achieved in order for that individual to earn the award. That issue also arises when an employee becomes retirement-eligible during the period. In those cases, the employee is required to complete a period of service until that individual becomes retirement-eligible, say on their 65th birthday, and will not be required to provide service thereafter.

Measurement Complexities

Under View B, the performance target is reflected in the calculation of the grant-date fair value. Topic 718 does not specify a preference for one particular valuation technique or model for calculating grant-date fair values, however, certain valuation models, such as lattice models, have been developed to value path-dependent options and awards with complex terms, for example, market conditions. The staff understands that those types of models are currently used in practice to value awards that are within the scope of this Issue and are able to accommodate dynamic assumptions that would be required under View B.

The staff also notes that a further aspect of measurement complexity that arises under View B results from the reporting system changes and internal processes that are needed. That is, entities would need to develop internal processes to assess at the grant date whether the recipient is retirement-eligible or will become retirement-eligible. Multiple valuations may be required because some employees may be retirement-eligible, whereas others are not. Reporting system changes may be necessary to "ring fence" the compensation cost for employee groups that apply View B from the compensation cost for conventional employee groups. That is because, unlike View A, there are no subsequent adjustments under View B to reflect changes in the estimated or actual likelihood of achieving the performance target.

The same measurement complexity aspects discussed above in respect of View B is also relevant under View C. One further aspect of complexity that arises under View C is the need to develop an additional internal process to assess whether there is substantial coincidence between the measurement period of the performance target and the requisite service period for each grant.

Comparison to IFRS

As part of the 2010-2012 IFRS Annual Improvements Cycle, the IASB's Exposure Draft clarified the definition of vesting conditions by separately defining performance condition within Appendix A of IFRS 2. The proposed definition states that "the period of the performance target(s) shall not extend beyond the end of the service period but it may start before the service period on the condition that the period of the performance target substantially coincides with the service period."

It is noted that View A and the IFRS 2 proposals are not consistent in any of the aspects analyzed. Accordingly, the staff does not

consider it necessary to bring any single aspect of this comparative analysis for further discussion. On the other hand, it is observed that, on the whole, View B and View C are more consistent with the IFRS 2 proposals. However, there could still be different outcomes between those views and IFRS 2 if the measurement period of the performance target commences before the service inception (View B) or if the measurement period of the performance target is longer than the requisite service period (View C). ***Variations of Performance Targets*** The Task Force asked the staff to consider other types of performance targets that may be in the scope of this Issue. Some Task Force members indicated that the Agenda Request and Issue Summary No. 1 focused predominately on one type of performance target, that being the completion of an initial public offering. The Task Force asked the staff to consider other examples that illustrate different types of performance targets because that would enable the Task Force to consider the wider relevance of this Issue. In Appendix 13-DC, the staff has prepared two additional illustrations and has reformatted the examples from Issue Summary No 1. The first additional illustration assumes a regulatory approval performance target with no future service period and the second illustration is a comprehensive example that assumes an EBITDA performance target. **Question 1: Based on the additional analysis provided and the arguments outlined in Issue Summary No. 1, which alternative does the Task Force prefer: View A, View B, or View C?** **Question 2: Depending on the view selected, does the Task Force agree with the staff's proposed amendments to the Codification in Appendix 13-DA?** **Recurring Disclosures** During the staff's outreach, several respondents suggested that additional disclosures are required. The staff observes, however, that there are already extensive disclosures required in Topic 718 on stock compensation. That said, the staff acknowledges that the current disclosures on unrecognized compensation cost could be further disaggregated such that the information is separately disclosed for the types of awards within the scope of this Issue. However, since such disaggregation is not required for certain other variations of awards with performance or market conditions, the staff does not believe there is a compelling reason to require any additional disclosures. **Question 3: Does the Task Force agree with the staff's recommendation not to require additional disclosures for awards that fall within the scope of this Issue?** **Transition** The FASB staff recommends a prospective transition approach. The guidance would be applied only to awards that are granted or modified on or after the effective date with early adoption permitted. The FASB staff does not recommend a retrospective transition because of the costs and complexity of applying the guidance on a retrospective basis may be significant for entities. **Question 4: Does the Task Force agree with a prospective transition approach that would apply only to awards that are granted or modified on or after the effective date, with early adoption permitted?** **Question 5: Does the Task Force agree with the staff's recommendation not to require transition disclosures other than those required in paragraphs 250-10-50-1 through 50-3?**	

AGENDA ISSUE:	**Issue No. 13-G** "Determining Whether the Host Contract in a Hybrid Financial Instrument Is More Akin to Debt or to Equity"	**PROPOSED TIME:** 11:00 – 12:00 **STAFF:** Milone/Or

ISSUES/VIEWS	MEETING NOTES
ISSUES/VIEWS Document: Issue Summary No. 1 **Background** Under Subtopic 815-15, Derivatives and Hedging—Embedded Derivatives, an entity that issues or invests in a hybrid financial instrument is required to bifurcate an embedded derivative from the host contract and account for the feature as a derivative. One criterion in paragraph 815-15-25-1(a) is that the economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract. When determining whether an embedded derivative is clearly and closely related to the host contract, an entity must first determine the nature of the host contract; for example, whether the host contract is more akin to debt or to equity. If the host contract is akin to equity, then equity-like features (for example, a conversion option) are considered clearly and closely related to the host contract, and thus would not be bifurcated from the host (that is, no separate derivate accounting would be necessary for the feature). If the host contract is akin to debt, then equity-like features are not considered clearly and closely related to the host. The staff received feedback indicating diversity in practice with respect to the methods used in evaluating the nature of the host contract; the use of different methods can result in different accounting outcomes for economically similar instruments. The EITF Agenda Committee recommended that the scope of this Issue initially be set narrowly as hybrid financial instruments that are issued in the form of a share (consistent with the scope of SEC Staff Announcement, EITF Topic No. D-109) with the understanding that the scope could become broader in the future, if warranted. The FASB staff understands that there are two methodologies that exist in practice (the whole-instrument approach and the chameleon approach). In addition, a third approach (the pure-host approach) has been advocated by some who believe that it is the approach that is the most consistent with the principles of Topic 815. **Accounting Issues and Alternatives** **Issue 1: Whether to (a) consider all of an instrument's terms and embedded derivative features (that is, use a whole-instrument approach), (b) exclude the embedded derivative feature being evaluated (that is, use a chameleon approach), or (c) exclude all embedded derivative features (that is, use a pure-host approach) when determining the nature of the host contract.** *View A: The whole-instrument approach should be used when determining whether the host contract within a hybrid financial instrument issued in the form of a share is more akin to debt or to equity.* *View B: The chameleon approach should be used when determining whether the host contract within a hybrid financial instrument issued in the form of a share is more akin to debt or to equity.* *View C: The pure-host approach should be used when determining whether the host contract within a hybrid financial instrument issued in the form of a share is more akin to debt or to equity.*	

View D: In the absence of a broader liability/equity project, the whole-instrument, chameleon, and pure-host approaches (or some combination thereof) should be permitted when determining whether the host contract within a hybrid financial instrument issued in the form of a share is more akin to debt or to equity.

Issue 2: How an entity should determine the nature of the host contract when an investor in a convertible preferred equity instrument holds a non-contingent, fixed-price redemption option?

View A: There is a rebuttable presumption that the presence of a non-contingent, fixed price redemption option held by the investor embedded in a convertible preferred equity instrument is determinative in concluding that the host instrument is debt-like.

If the circumstances in which the non-contingent, fixed price redemption option would be exercised are deemed remote of occurring, an entity may be able to overcome the presumption of a debt host. The FASB staff recognizes that a likelihood-based assessment of a redemption feature on the date a convertible preferred stock is granted can require significant judgment. Such an assessment would have to consider the specific terms and features of the hybrid instrument and other factors, as follows:

a. Is redemption date-certain?
b. Is conversion date-certain?
c. Is conversion more likely to occur before redemption, for example, because of an expected IPO or change-in-control event?
d. Is the redemption price (formula) more favorable to the investor than the conversion price (formula)?
e. Are there laws that would significantly restrict the investor's ability to exercise the redemption feature (for example, if redemption would make an entity insolvent)?
f. Are there significant economic disincentives for the investor to exercise the redemption feature?

View B: There should not be a rebuttable presumption that the presence of a non-contingent, fixed-price redemption option held by the investor embedded in a convertible preferred equity instrument is determinative in concluding that a host contract is debt-like. An entity would determine the nature of the host contract of a convertible preferred equity instrument by considering all relevant terms and features, weighing each feature based on relevant factors.

Transition
There are three transition alternatives for consideration:

View A: The effects of initially adopting the guidance in this Issue as of the effective date should be reported as a cumulative-effect adjustment directly to retained earnings as of the beginning of the year of adoption.

View B: The effects of initially complying with the guidance in this Issue as of the effective date should be applied on a retrospective basis for all periods presented.

View C: The effects of initially complying with the guidance in this Issue as of the effective date should be applied on a prospective basis.

AGENDA ISSUE:	**Issue No. 12-F** "Recognition of New Accounting Basis (Pushdown) in Certain Circumstances"	**PROPOSED TIME:** 1:00 – 3:00 **STAFF:** Gupta/Or

ISSUES/VIEWS	MEETING NOTES
Document: Issue Summary No. 1, Supplement No. 2 **Background** In previous meetings, the Task Force directed the FASB staff to develop a model in which pushdown accounting could be optionally applied by an acquired entity when an acquirer has obtained control of the acquired entity. The Task Force decided that once it has discussed the optional model with the change-in-control threshold, it would then consider whether pushdown accounting should be made mandatory and, if so, at what level it should be made mandatory. **Accounting Issues and Alternatives Pertaining to the Change-In-Control-Based Model** **Issue 1: Whether an acquired entity whose control is obtained by an acquirer without transfer of consideration (such as, a change in the primary beneficiary of a variable interest entity or a change-in-control by contract alone) should apply pushdown accounting in its separate financial statements.** *View A: Pushdown accounting should be applied even if control is obtained without transfer of consideration.* *View B: Pushdown accounting should not be applied when control is obtained without transfer of consideration.* **Issue 2: Whether acquisition-related debt incurred by the acquirer should be recognized in the acquired entity's separate financial statements.** *View A: Acquisition-related debt incurred by the acquirer should be recognized in the acquired entity's separate financial statements.* *View B: Acquisition-related debt incurred by the acquirer should not be recognized in the acquired entity's separate financial statements unless the acquired entity is required to recognize the liability for the debt in accordance with other applicable U.S. GAAP.* **Issue 3: Whether goodwill should be recognized in the separate financial statements of the acquired entity.** *View A: Goodwill should be recognized in the separate financial statements of the acquired entity.* *View B: Goodwill should not be recognized in the separate financial statements of the acquired entity.* **Issue 4: Whether bargain purchase gains should be recognized in the separate financial statements of the acquired entity.** *View A: Bargain purchase gains should be recognized in the separate financial statements of the acquired entity.* *View B: Bargain purchase gains should not be recognized in the separate financial statements of the acquired entity.* **Issue 5: Whether there are any circumstances in which pushdown accounting is not appropriate and, therefore, should be precluded** *View A: Pushdown accounting can be applied in all circumstances in which the acquired entity falls within the scope of the change-in-control-based optional model.* *View B: There should be circumstances in which pushdown accounting should be prohibited (for example, when significant noncontrolling interests, publicly traded debt securities, or preferred stock exist).*	

Issue 6: Whether pushdown accounting should be required or optional. If required, the circumstances in which it should be required. *View A: Pushdown accounting should be optional for all acquired entities that fall within the scope of this guidance (a change-in-control event).* *View B: Pushdown accounting should be required when the acquired entity becomes substantially wholly owned as a result of a business combination and should be optional for all other acquired entities that fall within the scope of this guidance (a change-in-control event).* *View C: Pushdown accounting should be required for all acquired entities that fall within the scope of this guidance (change-in-control events).* *View D: Pushdown accounting should be required only when the acquired entity becomes substantially wholly owned as a result of the business combination and should be prohibited otherwise.* If the Task Force tentatively concludes on View B (pushdown optional at the change-in-control level, but required at the substantially-wholly owned level) or View D (pushdown required at the substantially wholly-owned level with no separate optional level), the staff would have to bring back to the Task Force additional follow-on issues at a future meeting, such as the following: a. Definition of "substantially wholly-owned" including the related issue of "collaborative groups" b. Potential exceptions for mandatory application of pushdown accounting at the substantially wholly-owned level, such as when there is public debt or other significant interest holders c. Whether pushdown accounting should also be required for nonpublic entities at the substantially wholly-owned threshold level (currently, pushdown accounting is optional for nonpublic entities) d. Application of pushdown accounting when an entity becomes substantially wholly-owned as a result of a series of transactions over time (step acquisitions). **Disclosures** The FASB staff believes that the guidance should provide the disclosure objective to enable users of financial statements of the acquired entity to evaluate the nature and effect of the pushdown accounting on its financial statements. The staff recommends that the Task Force require entities to apply the existing disclosure requirements in Topic 805 to meet the stated objective. **Transition** The FASB staff recommends that an acquired entity should apply pushdown accounting guidance prospectively to all change-in-control events that occur after the effective date of the final Accounting Standards Update. If the change-in-control model is made optional, a mandatory retrospective transition would still provide entities with an option to either apply pushdown accounting or not apply it to past change-in-control events. The staff recommends that entities should be allowed to apply the guidance retrospectively. The FASB staff also recommends that the acquired entity should evaluate the option to apply pushdown accounting at each change-in-control event separately, and the guidance should not be treated as a one-time accounting policy election.	