

Decision Questions Considered in Establishing Disclosure Requirements

The Financial Accounting Standards Board (FASB) issued proposed Accounting Standards Update, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Changes to the Disclosure Requirements for Defined Benefit Plans*, on January 26, 2016. The comment period for the proposed Accounting Standards Update ends on April 25, 2016.

The decision questions from the proposed FASB Concepts Statement, *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*, were used to review and identify disclosures about defined benefit plans that resulted in the amendments in the proposed Accounting Standards Update. See paragraphs BC1–BC10 of the proposed Accounting Standards Update for further details on the Board’s decision process.

Certain disclosure requirements would be removed from Subtopic 715-20, either because they are not consistent with the concepts and decision questions in the proposed Concepts Statement or because they are no longer deemed to provide useful information. Therefore, those disclosure requirements have not been included in the following table. See paragraphs BC11–BC15 of the proposed Accounting Standards Update for further details.

“Not Applicable” Decision Question

The Board found the following decision question not applicable.

Question L8: Could the quality or utility of a nonfinancial asset have changed?

Question L8 was deemed by the Board as not applicable to Subtopic 715-20 because disclosure requirements about nonfinancial assets that are indicated by this decision question are not relevant to defined benefit pension and other postretirement plans.

“No” Decision Questions

The Board answered the following decision questions with a “no.”

Question L1: Is there information about the nature or quality of the phenomenon or phenomena represented by the line item (for example, the underlying rights, obligations, or transactions) that can affect assessments of

cash flow prospects and that is not adequately conveyed by the line item's description?

Question L3: Could the existence or ownership of the rights and obligations underlying the line item be uncertain?

Question L11: Has the accounting policy or method used for this line item changed because of adoption of or transition to newly issued guidance or because the previous method was determined to no longer be proper?

Question L12: Will this line item be affected in future years by transition to an accounting standard that has been issued but that is not yet effective or not fully effective?

Question L13: Is the method for determining the amount of the line item uncommon, not apparent from the description, or otherwise hard to discern?

Question L15: Is there an alternative measure or way of applying a measurement that clearly would be useful in assessing prospects for cash flows?

The Board answered Question L3 with a “no” because the plan sponsor’s rights and obligations are clear. The outflows are uncertain, but that is covered by Questions L5, L6, and L14 (see table below).

The Board answered Question L15 with a “no” because the Board concluded that alternative measures, such as the accumulated benefit obligation, are not clearly useful in assessing prospects for cash flows. See paragraphs BC11 and BC12 of the proposed Accounting Standards Update for further details.

“Yes” Decision Questions

The Board answered the following decision questions (see table below) with a “yes.” See paragraphs BC40–BC42 in the proposed Accounting Standards Update for consideration of benefits and costs related to the proposed amendments.

| Decision Question | Existing Disclosure Requirement(s) | Proposed Disclosure Requirement(s) | Related Basis for Conclusions Paragraphs |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| <p>Question L2: Does the line item represent any of the following:</p> <ul style="list-style-type: none"> a. Financial instruments issued or held by the entity b. Other contracts or legally binding documents c. Other binding arrangements? | <p>715-20-50-1(f) through (g) and (p)</p> <p>715-20-50-5(e) through (f)</p> | <p>Added:</p> <p>715-20-50-1E(a)</p> <p>715-20-50-5E(a)</p> | <p>Added:</p> <p>BC16–BC17</p> <p>Not Amended:</p> <p>BC32–BC34</p> |
| <p>Question L4: Does the line item include components of different natures that could affect prospects for net cash flows differently?</p> | <p>715-20-50-1(d)(5)(ii), (h) through (j), (l), (n), and (q)</p> <p>715-20-50-2 through 50-3</p> <p>715-20-50-5(a), (c)(5)(ii), (g) through (i), (m), and (q)</p> | <p>Amended:</p> <p>715-20-50-1F(c)</p> <p>715-20-50-2 through 50-3</p> <p>715-20-50-5F(c)</p> <p>715-20-50-5D(c)</p> | <p>BC26–BC28</p> |
| <p>Question L5: Are the cash flows related to the line item subject to change as a result of changes in general economic conditions or market factors? If so, are the specific conditions or factors or the nature of their effects not apparent from the description of the line item?</p> | <p>715-20-50-1(m)</p> | <p>715-20-50-5C(e)</p> | <p>BC29</p> |

| Decision Question | Existing Disclosure Requirement(s) | Proposed Disclosure Requirement(s) | Related Basis for Conclusions Paragraphs |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------|--------------------------------------------------------------------------|
| <p>Question L6: Are the prospects for cash flows related to the line item affected by changes in entity-specific factors or sector-specific factors, particularly those that can be expected to change frequently or significantly, and would a user not be expected to be aware of the factors or their potential effects?</p> | <p>715-20-50-1(d)(5)(i) 820-10-50-6A 715-20-50-5(c)(5)(i)</p> | <p>Added: 715-20-50-1E(g) 715-20-50-5E(e)</p> | <p>Added: BC21–BC23 Not Amended: BC35–BC36</p> |
| <p>Question L7: Are the causes of the changes in an entity’s line item of an asset, liability, or equity instrument not easily understood?</p> | <p>715-20-50-1(a) through (b) and (r) 715-20-50-5(b)</p> | <p>Amended: 715-20-50-1B(c) 715-20-50-5B(b)</p> | <p>BC24–BC25</p> |
| <p>Question L9: Does the line item include individual items (or groups) that are measured differently?</p> | <p>715-20-50-1(c)</p> | <p>None</p> | <p>Not applicable</p> |
| <p>Question L10: Are there acceptable alternative accounting policies or methods provided under generally accepted accounting principles that might have been applied to this line item?</p> | <p>715-20-50-1(o) and (u)</p> | <p>None</p> | <p>Not applicable</p> |

| Decision Question | Existing Disclosure Requirement(s) | Proposed Disclosure Requirement(s) | Related Basis for Conclusions Paragraphs |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|-------------------------------------------------|
| <p>Question L14: Is the carrying amount of the line item an estimate that requires assumptions, judgments, or other internal inputs that could reasonably have been different?</p> | <p>715-20-50-1(d)(5)(iii) through (d)(5)(iv) and (k) through (l)</p> <p>715-20-50-5(c)(5)(iii) through (c)(5)(iv) and (j) through (k)</p> | <p>Amended:</p> <p>715-20-50-1C(c)</p> <p>715-20-50-5C(c)</p> | <p>BC18–BC20</p> |
| <p>Question L16: Does a line item have a direct relationship to another line item(s) in another statement that is not otherwise apparent?</p> | <p>None</p> | <p>None</p> | <p>BC30–BC31</p> |

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