

## **Decision Questions Considered in Establishing Disclosure Requirements**

The FASB issued proposed Accounting Standards Update, *Income Taxes (Topic 740): Disclosure Framework—Changes to the Disclosure Requirements for Income Taxes*, on July 26, 2016. The comment period for the proposed Accounting Standards Update ends on September 30, 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 income taxes that resulted in the amendments in the proposed Update on Topic 740. See paragraphs BC1–BC13 of the proposed Update on Topic 740 for further details on the Board’s decision process.

A disclosure requirement would be removed from Section 740-10-50 because it is not consistent with the concepts and decision questions in the proposed Concepts Statement. Therefore, that disclosure requirement has not been included in the following table. See paragraph BC45 of the proposed Update on Topic 740 for further details.

Certain disclosure requirements were not identified by the concepts and decision questions in the proposed Concepts Statement but are included in the proposed Update on Topic 740 because they were determined to contain useful information. See paragraphs BC81–BC85 of the proposed Update on Topic 740 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 Topic 740 because disclosure requirements about nonfinancial assets that are indicated by this decision question are not relevant to income taxes.

### **“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 L2:** Does the line item represent any of the following:

- a. Financial instruments issued or held by the entity
- b. Other contracts or legally binding documents
- c. Other binding arrangements?

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

**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?

**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 O1:** Can any of the following events or conditions create a possibility that a user's assessment of an entity's future cash flows would be significantly different (lower or higher):

- a. Potential litigation against the entity or by the entity against another entity or entities (because of specific matters instead of general business risk)
- b. Existing litigation against the entity or by the entity against another entity or entities, the outcome of which is still uncertain
- c. Suspected or known violations by the entity of laws, regulations, or contractual terms or violations of the entity's rights under statutes, regulations, or contracts
- d. Other uncertain conditions?

**Question O2:** Are there other events or circumstances that are not represented by an asset or a liability and a gain or loss (or income or expense) in an entity's financial statements but for which there is uncertainty in the decision about whether it should be recognized (that would include items other than the contingencies discussed in Questions O1(a) and O1(b))?

## “Yes” Decision Questions

The Board answered the following decision questions (see table below) with a “yes.” See paragraphs BC109–BC111 in the proposed Update on Topic 740 for consideration of benefits and costs related to the proposed amendments.

<b>Proposed Concepts Statement Reference</b>	<b>Existing Disclosure Requirement(s)</b>	<b>Proposed Disclosure Requirement(s)</b>	<b>Related Basis for Conclusions Paragraphs</b>
<p><b>Question L4:</b> Does the line item include components of different natures that could affect prospects for net cash flows differently?</p>	<p>740-10-50-6 740-10-50-8 through 50-10 740-10-50-15(c) 740-10-50-15(e) 740-10-50-15A(b) 740-30-50-2(a) through (b)</p>	<p>740-10-50-6A(a) through (c) 740-10-50-10A through 50-10B 740-10-50-25</p>	<p><b><u>Considerations Resulting in Amendments:</u></b> BC81–BC87 BC18–BC21  <b><u>Other Considerations:</u></b> BC22–BC26 BC41–BC42 BC46–BC49 BC60–BC64</p>
<p><b>Question L6:</b> 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>740-10-50-4 740-10-50-9 through 50-10</p>	<p>740-10-50-10A through 50-10B 740-10-50-22 740-10-50-25 740-30-50-3</p>	<p><b><u>Considerations Resulting in Amendments:</u></b> BC18–BC21 BC39–BC49 BC65–BC74  <b><u>Other Considerations:</u></b> BC22–BC26</p>

<b>Proposed Concepts Statement Reference</b>	<b>Existing Disclosure Requirement(s)</b>	<b>Proposed Disclosure Requirement(s)</b>	<b>Related Basis for Conclusions Paragraphs</b>
<b>Question L7:</b> Are the causes of the changes in an entity's line item of an asset, liability, or equity instrument not easily understood?	740-10-50-2  740-10-50-15A(a)	740-10-50-6B  740-10-50-15A(a)(3)  740-10-50-15A(c)	<b><u>Considerations Resulting in Amendments:</u></b>  BC78–BC80  BC56–BC59
<b>Question L9:</b> Does the line item include individual items (or groups) that are measured differently?	740-10-50-15A(b)	None	<b><u>Other Considerations:</u></b>  BC50–BC55
<b>Question L10:</b> Are there acceptable alternative accounting policies or methods provided under GAAP that might have been applied to this line item?	740-10-50-18 through 50-20	None	Not applicable
<b>Question L14:</b> Is the carrying amount of the line item an estimate that requires assumptions, judgments, or other internal inputs that could reasonably have been different?	740-10-50-2(c)	None	Not applicable
<b>Question L15:</b> Is there an alternative measure or way of applying a measurement that clearly would be useful in assessing prospects for cash flows?	None	None	<b><u>Other Considerations:</u></b>  BC50–BC55  BC88–BC90

<b>Proposed Concepts Statement Reference</b>	<b>Existing Disclosure Requirement(s)</b>	<b>Proposed Disclosure Requirement(s)</b>	<b>Related Basis for Conclusions Paragraphs</b>
<b>Question L16:</b> Does a line item have a direct relationship to another line item(s) in another statement that is not otherwise apparent?	740-10-50-15A(a) 740-10-50-3 740-10-50-6	740-10-50-6A(c) 740-10-50-15A(a)(3) 740-10-50-15A(c)	<b><u>Considerations Resulting in Amendments:</u></b> BC56–BC59 <b><u>Other Considerations:</u></b> BC75–BC77
<b>Question O3:</b> Are there contractual rights or obligations arising from past transactions and events or current conditions and circumstances that are expected to meet the criteria for recognition by the entity in the future?	740-30-50-2	740-10-50-24 740-30-50-3	<b><u>Considerations Resulting in Amendments:</u></b> BC34–BC38 <b><u>Other Considerations:</u></b> BC27–BC33
<b>Paragraph D45 of the proposed Concepts Statement</b>		740-10-50-23	<b><u>Considerations Resulting in Amendments:</u></b> BC103

For more information about the project, please visit the FASB's website at [www.fasb.org](http://www.fasb.org).

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