FINANCIAL ACCOUNTING SERIES

ACCOUNTING STANDARDS UPDATE

No. 2018-09
July 2018

# Codification Improvements

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

The *FASB Accounting Standards Codification*® is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. An Accounting Standards Update is not authoritative; rather, it is a document that communicates how the Accounting Standards Codification is being amended. It also provides other information to help a user of GAAP understand how and why GAAP is changing and when the changes will be effective.

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FASB

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# Summary

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

Since the *FASB Accounting Standards Codification*® was established in September 2009 as the source of authoritative generally accepted accounting principles (GAAP) to be applied by nongovernmental entities, stakeholders have provided suggestions for minor corrections and clarifications. The Codification's *About the Codification* describes the FASB's procedure for responding to 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.

The Board has a standing project on its agenda to address suggestions received from stakeholders on the Codification and to make other incremental improvements to GAAP. This perpetual project facilitates Codification updates for technical corrections, clarifications, and other minor improvements and should eliminate the need for periodic agenda requests for narrow and incremental items. These amendments are referred to as Codification 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 is not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments in this Update include items raised for Board consideration through the Codification's feedback system that met the scope of this project, making due process necessary.

An explanation of why each amendment in this Update is being made is provided in the "Amendments to the *FASB Accounting Standards Codification*®" section immediately preceding the amendment. In some cases, an issue and its proposed amendments that were included in the proposed Accounting Standards Update, *Codification Improvements*, were removed in this final Update. An explanation about the removal of each issue also is provided. Thus, there is no separate section for the Board's basis for conclusions in this Update.

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

The amendments in this Update affect a wide variety of Topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance.

## What Are the Main Provisions?

Codification users should review the entire document to assess any effects that the amendments in this Update may have on entities that are within the Update's scope. The Board is highlighting the following amendments to guidance that may have been incorrectly or inconsistently applied by certain entities.

### Amendments to Subtopic 220-10, Income Statement—Reporting Comprehensive Income—Overall

The guidance in paragraph 220-10-45-10B(b) states that taxes not payable in cash are required to be reported as a direct adjustment to paid-in capital. This requirement conflicts with other guidance in Topic 740, Income Taxes, Subtopic 805-740, Business Combinations—Income Taxes, and Subtopic 852-740, Reorganizations—Income Taxes, which generally states that income taxes and adjustments to those accounts upon a business combination or a bankruptcy that is eligible for fresh-start reporting must be recognized in income. The phrase *taxes not payable in cash* was codified from FASB Statement No. 130, *Reporting Comprehensive Income*. That phrase was used in the context of discussing the accounting treatment of tax benefits that may arise from net operating losses of an entity before bankruptcy reorganization. Without the proper context, the phrase could be interpreted to mean any tax expense that is not payable in cash, including the utilization of a deferred tax asset. FASB Statement No. 141 (revised 2007), *Business Combinations*, changed the accounting for tax benefits arising in bankruptcy reorganizations such that the guidance in paragraph 220-10-45-10B is not applicable to bankruptcy reorganizations. However, the guidance in paragraph 220-10-45-10B continues to be applicable to quasi-reorganizations as defined in Subtopic 852-20, Reorganizations—Quasi-Reorganizations. The amendment in this Update clarifies the guidance in paragraph 220-10-45-10B by removing the generic phrase *taxes not payable in cash* and adding guidance that is specific to certain quasi-reorganizations.

### Amendments to Subtopic 470-50, Debt—Modifications and Extinguishments

The guidance in paragraph 470-50-40-2 requires that the difference between the reacquisition price of debt and the net carrying amount of extinguished debt be recognized in income in the period of extinguishment. The guidance in that paragraph was not amended by FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments*, or FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*; therefore, it does not specifically address extinguishments of debt when the fair value option is elected. The amendments in his Update clarify that:

1. When the fair value option has been elected on debt that is extinguished, the net carrying amount of the extinguished debt equals its fair value at the reacquisition date.
2. Related gains or losses in other comprehensive income must be included in net income upon extinguishment of the debt.

## Amendments to Subtopic 480-10, Distinguishing Liabilities from Equity—Overall

The guidance in paragraph 480-10-25-15 prohibits the combination of freestanding financial instruments within the scope of Subtopic 480-10 with noncontrolling interest, unless the combination is required by Topic 815, Derivatives and Hedging. The example in paragraphs 480-10-55-55 and 480-10-55-59 conflicts with that guidance by stating that freestanding option contracts with the terms in Derivative 2 should be accounted for on a combined basis with the noncontrolling interest. The source of the example in paragraph 480-10-55-59 is from EITF Issue No. 00-4, "Majority Owner's Accounting for a Transaction in the Shares of a Consolidated Subsidiary and a Derivative Indexed to the Noncontrolling Interest in That Subsidiary." Issue 00-4 was nullified by FASB Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, but a conforming amendment to the example in paragraph 480-10-55-59 was not made to align it with the guidance in Statement 150. The amendment in this Update conforms the guidance in paragraphs 480-10-55-55 and 480-10-55-59 with the guidance in Statement 150.

## Amendments to Subtopic 718-740, Compensation—Stock Compensation—Income Taxes

The guidance in paragraph 718-740-35-2, as amended by the amendments in Accounting Standards Update No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, is unclear on whether an entity should recognize excess tax benefits (or tax deficiencies) for compensation expense that is taken on the entity's tax return. The amendment to paragraph 718-740-35-2 in this Update clarifies that an entity should recognize excess tax benefits (that is, the difference in tax benefits between the deduction for tax purposes and the compensation cost recognized for financial statement reporting) in the period in which the amount of the deduction is determined. This includes deductions that are taken on the entity's return in a different period from when the event that gives rise to the tax deduction occurs and the uncertainty about whether (1) the entity will receive a tax deduction and (2) the amount of the tax deduction is resolved.

## Amendments to Subtopic 805-740, Business Combinations—Income Taxes

The amendment to paragraph 805-740-25-13 in this Update removes a list of three methods for allocating the consolidated tax provision to an acquired entity after acquisition that is inconsistent with guidance in Topic 740. The guidance in paragraph 805-740-25-13 originated from EITF Issue No. 86-9, “IRC Section 338 and Push-Down Accounting,” which was issued in March 1986 and included a discussion about a narrow fact pattern in which an entity was acquired and pushdown accounting was not elected. Subsequently, the accounting for the tax effect from a change in tax basis from all transactions with or among shareholders was addressed in EITF Issue No. 94-10, “Accounting by a Company for the Income Tax Effects of Transactions among or with Its Shareholders under FASB Statement No. 109.” Issue 94-10 specifically included the scenario described in Issue 86-9, namely, that an investor purchasing 100 percent of the outstanding stock of a company in a transaction treated as a purchase of assets for tax purposes chooses not to “push down” the purchase price for financial reporting purposes. The decision and resulting guidance in Issue 94-10 were different from those in Issue 86-9. The decision in Issue 94-10 is codified in Topic 740, and the guidance in Issue 86-9 is codified in Subtopic 805-740. The three methods for tax allocation described in paragraph 805-740-25-13 do not follow the broad principles of being systematic, rational, and consistent with Topic 740. The amendment removes the allocation methods in paragraph 805-740-25-13 and conforms the guidance in Subtopic 805-740 with the guidance in Topic 740.

## Amendments to Subtopic 815-10, Derivatives and Hedging—Overall

The amendment to paragraphs 815-10-45-4 and 815-10-45-5 in this Update clarifies the circumstances in which derivatives may be offset. Under certain specific conditions, derivatives may be offset if three of the four criteria in paragraph 210-20-45-1 are met. One of the criteria—the intent to set off—is not required to offset derivative assets and liabilities for certain amounts arising from derivative instruments recognized at fair value and executed with the same counterparty under a master netting agreement. The guidance in paragraph 815-10-45-4 is potentially misleading because it specifically references the criteria in paragraph 210-20-45-1, which states that derivatives may only be offset when all four of the conditions in paragraph 210-20-45-1 are met. The amendment supersedes paragraph 815-10-45-4.

## Amendments to Subtopic 820-10, Fair Value Measurement—Overall

The amendments to paragraph 820-10-35-16D in this Update clarify the Board's decisions about the measurement of the fair value of a liability or instrument classified in a reporting entity's shareholder's equity from the perspective of a market participant that holds an identical item as an asset at the measurement date. A technical inquiry questioned how transfer restrictions embedded in an asset should affect the fair value of the corresponding liability or equity instrument from the perspective of the issuer. The question arose from a sentence in paragraph 820-10-35-16D. That sentence states that, in the context of how an issuer should measure the fair value of a liability or equity instrument by reference to the quoted price of a corresponding asset, "a reporting entity shall ensure that the price of the asset does not reflect the effect of a restriction preventing the sale of that asset." The wording of this sentence came from the amendments in 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 IRFSs*. The final wording of that sentence from Update 2011-04 was not in alignment with the Board's discussions and decisions on that measurement issue and could potentially lead to diversity in practice. The amendments correct the wording of paragraph 820-10-35-16D to clarify how an entity should account for those restrictions. The amendments are not intended to substantively change the application of GAAP. However, it is possible that the amendments may result in a change to existing practice for some entities.

The amendments to paragraphs 820-10-35-18D through 35-18F and 820-10-35-18H through 35-18L in this Update revise the current guidance to allow portfolios of financial instruments and nonfinancial instruments accounted for as derivatives in accordance with Topic 815 to use the portfolio exception to valuation. The amendments in Update 2011-04 indicated that only portfolios containing financial assets and financial liabilities are eligible for the portfolio exception to valuation. Thus, a mixed portfolio of physically settled commodity contracts that are derivatives but not financial assets and that are managed with offsetting cash-settled derivatives that are financial assets or financial liabilities would not be eligible for the portfolio exception. The exclusion of nonfinancial instruments was not intended. The amendments improve guidance by adding wording that explicitly states that a group of financial assets, financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or a combination of these items that otherwise meet the criteria to do so are permitted to apply the portfolio exception for measuring fair value of the group. This allows entities to measure fair value on a net basis for those portfolios in which financial assets and financial liabilities and nonfinancial instruments are managed and valued together. These amendments are consistent with a similar amendment that the International Accounting Standards Board (IASB) made in its 2011–2013 annual improvements process.

The amendment to paragraph 820-10-50-2(bbb)(2) in this Update replaces indefinite deferral guidance that is currently in paragraph 820-10-65-9 with a disclosure exemption in paragraph 820-10-50-2(bbb)(2) and paragraphs that explicitly cite that paragraph. The indefinite deferral originated from Accounting Standards Update No. 2013-09, *Fair Value Measurement (Topic 820): Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04*. Paragraph 820-10-50-2(bbb)(2) is indefinitely deferred for nonpublic employee benefit plans. The indefinite deferral functions as a de facto scope exception. The amendment moves the exception into the paragraphs that refer to paragraph 820-10-50-2(bbb)(2) to provide a more useful location for the exception.

## Amendments to Subtopic 940-405, Financial Services—Brokers and Dealers—Liabilities

Paragraph 940-405-55-1 contains incomplete guidance about offsetting on the balance sheet. The current guidance focuses only on explicit settlement dates as a determining criterion for offsetting when, in fact, an entity should consider all the requirements in Section 210-20-45, Balance Sheet—Offsetting—Other Presentation Matters, to determine whether a right of offset exists. There is similar guidance in paragraph 942-210-45-3. Paragraphs 940-405-55-1 and 942-210-45-3 originated from two different AICPA Audit and Accounting Guides and paraphrase the guidance in Subtopic 210-20, albeit each slightly differently. The Board decided to amend both paragraphs so that the industry Topic guidance refers to the complete guidance for offsetting. The amendment in this Update also simplifies the Codification by removing redundant guidance, which makes the guidance on offsetting more consistent.

## Amendments to Subtopic 962-325, Plan Accounting—Defined Contribution Pension Plans—Investments—Other

The amendment to Subtopic 962-325 in this Update removes the stable value common collective trust fund from the illustrative example in paragraph 962-325-55-17 to avoid the interpretation that such an investment would never have a readily determinable fair value and, therefore, would always use the net asset value per share practical expedient. Rather, a plan should evaluate whether a readily determinable fair value exists to determine whether those investments may qualify for the practical expedient to measure at net asset value in accordance with Topic 820.

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

The amendments in this Update represent changes to clarify, correct errors in, or make minor improvements to the Codification. The amendments make the Codification easier to understand and easier to apply by eliminating inconsistencies and providing clarifications.

## When Will the Amendments Be Effective?

The transition and effective date guidance is based on the facts and circumstances of each amendment. Some of the amendments in this Update do not require transition guidance and will be effective upon issuance of this Update. However, many of the amendments in this Update do have transition guidance with effective dates for annual periods beginning after December 15, 2018, for public business entities.

There are some conforming amendments in this Update that have been made to recently issued guidance that is not yet effective that may require application of the transition and effective date guidance in the original Accounting Standards Update. For example, there are conforming amendments in this Update to Topic 820 and Subtopic 944-310, Financial Services—Insurance—Receivables, that are related to the amendments in Accounting Standards Update No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which require application of the transition and effective date guidance in that Update.

The following issues do not have transition guidance and are effective upon issuance of this Update:

| Issue No. | Codification Topic | Subtopic | Effective Date |
|---|---|---|---|
| 2 | Earnings Per Share | 260-10 | N/A |
| 5 | Debt | 470-50 | N/A[1] |
| 10 | Income Taxes | 740-30 | N/A[1] |
| 13 | Derivatives and Hedging | 815-15 | N/A |
| 15 | Fair Value Measurement | 820-10 | N/A |
| 17 | Fair Value Measurement | 820-10 | N/A |
| 18 | Fair Value Measurement | 820-10 | N/A |
| 20 | Fair Value Measurement | 820-10 | N/A |
| 21 | Foreign Currency Matters | 830-10 | N/A[1] |
| 23 | Financial Services—Depository and Lending | 942-505 | N/A |
| 24 | Financial Services—Insurance | 944-30 | N/A |
| 27 | Not-for-Profit Entities | 958-325 | N/A[1] |
| 28 | Not-for-Profit Entities | 958-720 | N/A |
| 29 | Plan Accounting—Defined Contribution Pension Plans | 962-360 | N/A |

[1]This issue has been removed for additional consideration and may be included in a future Accounting Standards Update on Codification improvements.

The following issues have transition guidance:

| | | | Type of Transition | | | |
|---|---|---|---|---|---|---|
| **Issue No.** | **Codification Topic** | **Subtopic** | **Modified Retrospective** | **Prospective** | **Other** | **Effective Date** |
| 1 | Income Statement—Reporting Comprehensive Income | 220-10 | X | | | Public Business Entities (PBE): 12/15/18 Others: 12/15/19 |
| 3 | Investments—Debt and Equity Securities | 320-10 | X | | | PBE: 12/15/18 Others: 12/15/19 |
| 4 | Debt | 470-50 | | X | | PBE: 12/15/18 Others: 12/15/19 |
| 6 | Distinguishing Liabilities from Equity | 480-10 | X | | | PBE: 12/15/18 Others: 12/15/19 |
| 7 | Compensation—Stock Compensation | 718-740 | X | | | PBE: 12/15/18 Others: 12/15/19 |
| 8 | Other Expenses | 720-35 | X | | | PBE: 12/15/18 Others: 12/15/19 |
| 9 | Income Taxes | 740-10 | | | X | PBE: 12/15/17 Others: 12/15/18[2] |
| 11 | Business Combinations | 805-740 | X | | | PBE: 12/15/18 Others: 12/15/19 |
| 12 | Derivatives and Hedging | 815-10 | | X | | PBE: 12/15/18 Others: 12/15/19 |
| 14 | Fair Value Measurement | 820-10 | | X | | PBE: 12/15/18 Others: 12/15/19 |
| 16 | Fair Value Measurement | 820-10 | | X | | PBE: 12/15/18 Others: 12/15/19 |
| 19 | Fair Value Measurement | 820-10 | | | X | PBE: 12/15/17 Others: 12/15/18 (early adoption permitted as of 12/15/17)[2] |
| 22 | Financial Services—Brokers and Dealers | 940-405 | X | | | PBE: 12/15/18 Others: 12/15/19 |
| 25 | Financial Services—Insurance | 944-310 | | | X | PBE: 12/15/17 Others: 12/15/18 (early adoption permitted as of 12/15/17)[2] |
| 26 | Financial Services—Insurance | 944-360 | X | | | PBE: 12/15/18 Others: 12/15/19 |
| 30 | Plan Accounting—Defined Contribution Pension Plans | 962-325 | X | | | PBE: 12/15/18 Others: 12/15/19 |

[2] If this guidance has been early adopted, the improvement should be applied on a modified retrospective basis.

# Amendments to the *FASB Accounting Standards Codification®*

## Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–99. 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 <u>underlined</u>, and deleted text is ~~struck out~~.

## Amendments to Subtopic 220-10, Income Statement—Reporting Comprehensive Income—Overall

### Issue 1—Taxes Reported as Other Comprehensive Income

2. The phrase *taxes not payable in cash* in paragraph 220-10-45-10B(b)(2) was codified from paragraph 115 of FASB Statement No. 130, *Reporting Comprehensive Income*. That phrase was used in the context of discussing the accounting treatment of tax benefits that may arise from net operating losses of an entity before bankruptcy reorganization. Without the proper context, the phrase could be interpreted to mean any tax expense that is not payable in cash, including the utilization of a deferred tax asset. FASB Statement No. 141 (revised 2007), *Business Combinations*, changed the accounting for tax benefits arising in bankruptcy reorganizations such that the guidance in paragraph 220-10-45-10B is not applicable to bankruptcy reorganizations. However, the guidance in paragraph 220-10-45-10B continues to be applicable to quasi-reorganizations as defined in Subtopic 852-20, Reorganizations—Quasi-Reorganizations. This amendment clarifies the guidance in paragraph 220-10-45-10B by removing the generic phrase *taxes not payable in cash*, adds guidance that is specific to certain quasi-reorganizations, and adds references to applicable guidance for each example that does not qualify as an item of comprehensive income.

3. Amend paragraph 220-10-45-10B, with a link to transition paragraph 105-10-65-4, as follows:

#### Income Statement—Reporting Comprehensive Income—Overall

#### Other Presentation Matters

**220-10-45-10B** None of the following items qualify as an item of comprehensive income:

a. Changes in equity during a period resulting from investments by owners and distributions to owners
b. Items required to be reported as direct adjustments to paid-in capital, retained earnings, or other nonincome equity accounts such as the following types of transactions:
    1. A reduction of shareholders' equity related to employee stock ownership plans (see paragraph 718-740-25-5)
    2. Recognition of tax benefits related to deductible temporary differences and carryforwards arising from a quasi-reorganization as defined in Subtopic 852-20 (see paragraph 852-740-45-3)~~Taxes not payable in cash~~
    3. Net cash settlement resulting from a change in value of a contract that gives the entity a choice of net cash settlement or settlement in its own shares (see paragraph 815-40-25-4(b)(2)).

## Amendments to Subtopic 260-10, Earnings Per Share—Overall

### Issue 2—Correct a Reference to Earnings Per Share Example

4. The last sentence of paragraph 260-10-45-60B references Example 6 in paragraph 260-10-55-62 after providing guidance for the diluted earnings per share (EPS) calculation. The use of the phrase *that provision* in the last sentence of paragraph 260-10-45-60B and the reference to Example 6 lead the reader to expect Example 6 to illustrate the accounting for dilutive securities. Example 6 reflects the two-class method, and there are no dilutive securities in the Example. These amendments make the reference more specific and add clarification.

5. Amend paragraphs 260-10-45-60B and 260-10-55-62, with no link to a transition paragraph, as follows:

### Earnings Per Share—Overall

### Other Presentation Matters

**> Special Issues Affecting Basic and Diluted EPS**

**> > Participating Securities and the Two-Class Method**

**260-10-45-60B** Under the two-class method:

a. Income from continuing operations (or net income) shall be reduced by the amount of dividends declared in the current period for each class of stock and by the contractual amount of dividends (or interest on participating income bonds) that must be paid for the current period (for example, unpaid cumulative dividends). Dividends declared in the current period do not include dividends declared in respect of prior-year unpaid cumulative dividends. Preferred dividends that are cumulative only if earned are deducted only to the extent that they are earned.
b. The remaining earnings shall be allocated to common stock and participating securities to the extent that each security may share in earnings as if all of the earnings for the period had been distributed. The total earnings allocated to each security shall be determined by adding together the amount allocated for dividends and the amount allocated for a participation feature.
c. The total earnings allocated to each security shall be divided by the number of outstanding shares of the security to which the earnings are allocated to determine the EPS for the security.
d. Basic and diluted EPS data shall be presented for each class of common stock.

For the diluted EPS computation, outstanding common shares shall include all potential common shares assumed issued. Example 6 (see paragraph 260-10-55-62) illustrates ~~that provision~~the two-class method.

## Implementation Guidance and Illustrations

**> Illustrations**

**> > Example 6: Two-Class Method**

**260-10-55-62** This Example illustrates the two-class method of computing basic EPS (see paragraph 260-10-45-60B) for an entity that has more than one class of nonconvertible securities. This method is described in paragraphs 260-10-45-59A through 45-70.~~45-70; as noted in paragraph 260-10-45-60B, diluted~~ Diluted EPS would be computed in a similar manner. This Example has the following assumptions for the year 20X0:

a. Net income was $65,000.
b. 10,000 shares of $50 par value common stock were outstanding.
c. 5,000 shares of $100 par value nonconvertible preferred stock were outstanding.
d. The preferred stock was entitled to a noncumulative annual dividend of $5 per share before any dividend is paid on common stock.
e. After common stock has been paid a dividend of $2 per share, the preferred stock then participates in any additional dividends on a 40:60

per-share ratio with common stock. (That is, after preferred and common stock have been paid dividends of $5 and $2 per share, respectively, preferred stock participates in any additional dividends at a rate of two-thirds of the additional amount paid to common stock on a per-share basis.)

f. Preferred stockholders have been paid $27,000 ($5.40 per share).
g. Common stockholders have been paid $26,000 ($2.60 per share).

## Amendments to Subtopic 320-10, Investments—Debt and Equity Securities—Overall

### Issue 3—Disclosures Required for Summarized Financial Statements

6. These amendments simplify the Codification by removing redundant disclosure requirements in paragraphs 320-10-50-1A and 320-10-50-13. These amendments supersede paragraph 320-10-50-13 and add clarification to the disclosure requirements in paragraph 320-10-50-1A for summarized financial information. The disclosure requirements in Section 320-10-50 are from FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. When Statement 115 was issued, the disclosure requirements did not state whether the disclosures were required for interim periods, and stakeholders asked for clarification. The staff clarified that the disclosures were required for interim statements. The Board amended Statement 115 to reflect that. The FASB Special Report, *A Guide to Implementation of Statement 115 on Accounting for Certain Investments in Debt and Equity Securities*, which addressed whether the disclosure requirements were applicable to interim statements, also was issued. Paragraph 320-10-50-1A was codified from paragraph 18A of Statement 115, as amended. Paragraph 320-10-50-13 was codified from the Special Report on Statement 115. The Special Report was more detailed in its answer and clarified that the disclosures were required for all complete sets of financial statements but not for summarized interim financial information. Some stakeholders find the redundancy confusing, and some interpret the two paragraphs as two different requirements.

7. Amend paragraph 320-10-50-1A and supersede paragraph 320-10-50-13, with a link to transition paragraph 105-10-65-5, as follows:

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

#### Disclosure

**320-10-50-1A** The disclosures in this Section are required for all interim and annual periods when complete sets of financial statements are provided by an entity. The disclosures in this Section are not required when an entity provides summarized interim financial information. The minimum disclosure requirements for summarized interim financial information issued by publicly traded entities are established in paragraph 270-10-50-1.

**> Sales, Transfers, and Related Matters That Occurred During the Period**

**320-10-50-13** Paragraph superseded by Accounting Standards Update No. 2018-09.~~The disclosures in this Section are required to be made in all complete sets of financial statements for interim periods, for example, in conjunction with a securities registration statement. The minimum disclosure requirements for summarized interim financial information issued by publicly traded entities are established by Subtopic 270-10. Summarized financial information need not include the disclosures.~~

## Amendments to Subtopic 470-50, Debt—Modifications and Extinguishments

### Issue 4—Add Guidance for Extinguishment of Debt When the Fair Value Option Is Elected

8. These amendments relate to measuring the gain or loss on early extinguishments of debt for which the fair value option has been elected. Existing guidance in paragraph 470-50-40-2 requires that the difference between the reacquisition price of debt and the net carrying amount of extinguished debt be recognized in income in the period of extinguishment. The guidance in paragraph 470-50-40-2 was not amended by FASB Statement No. 155, *Accounting for Certain Hybrid Financial Instruments*, or FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*; therefore, the guidance does not specifically address extinguishments of debt when the fair value option is elected. These amendments add guidance to clarify that:

a. When the fair value option has been elected on debt that is extinguished, the net carrying amount of the extinguished debt equals its fair value at the reacquisition date.
b. The cumulative amounts of gains or losses in other comprehensive income that resulted from changes in instrument-specific credit risk must be included in the measurement of gain or loss presented in net income for the extinguished debt.

9. Add paragraph 470-50-40-2A, with a link to transition paragraph 105-10-65-5, as follows:

### Debt—Modifications and Extinguishments

### Derecognition

#### > Extinguishments of Debt

**470-50-40-2A** <u>In an early extinguishment of debt for which the fair value option has been elected in accordance with Subtopic 815-15 on embedded derivatives or Subtopic 825-10 on financial instruments, the net carrying amount of the extinguished debt shall be equal to its fair value at the reacquisition date. In accordance with paragraph 825-10-45-6, upon extinguishment an entity shall include in net income the cumulative amount of the gain or loss previously recorded in other comprehensive income for the extinguished debt that resulted from changes in instrument-specific credit risk.</u>

## Issue 5

10. This issue has been removed for additional consideration and may be included in a future Accounting Standards Update on Codification improvements. This proposed amendment would have added a reference to the general guidance for third-party costs to paragraph 470-50-40-18 so that users would be alerted that additional, more specific guidance is provided for line-of-credit arrangements and revolving debt arrangements. Comments from accounting firms stated that the proposed amendment was insufficient or could result in an unintended change in practice.

# Amendments to Subtopic 480-10, Distinguishing Liabilities from Equity—Overall

## Issue 6—Freestanding Option Contracts and Noncontrolling Interest

11. Paragraph 480-10-25-15 prohibits the combination of freestanding financial instruments within the scope of Subtopic 480-10 with a noncontrolling interest unless a combination is required by Topic 815, Derivatives and Hedging. The example in paragraphs 480-10-55-55 and 480-10-55-59 conflicts with that guidance by stating that freestanding option contracts with the terms in Derivative 2 should be accounted for on a combined basis with the noncontrolling interest. The source of the guidance in paragraph 480-10-55-59 is EITF Issue No. 00-4, "Majority Owner's Accounting for a Transaction in the Shares of a Consolidated Subsidiary and a Derivative Indexed to the Noncontrolling Interest in That Subsidiary." Issue 00-4 was nullified by FASB Statement No. 150, *Accounting for*

*Certain Financial Instruments with Characteristics of both Liabilities and Equity*. This amendment conforms the guidance in paragraph 480-10-55-59 with the guidance in Statement 150 and in paragraph 480-10-25-15.

12. Amend paragraphs 480-10-55-55 and 480-10-55-59, with a link to transition paragraph 105-10-65-4, as follows:

## Distinguishing Liabilities from Equity—Overall

## Implementation Guidance and Illustrations

**> > Majority Owner's Accounting for a Transaction in the Shares of a Consolidated Subsidiary and a Derivative Instrument Indexed to the Noncontrolling Interest in that Subsidiary**

**480-10-55-55** Depending on how Derivative 2 was issued, one of three different accounting methods applies. If Derivative 2 was issued as a single freestanding instrument, under this Subtopic it would be accounted for in its entirety as a liability (or an asset in some circumstances), initially and subsequently measured at fair value. If the written put option and the purchased call option in Derivative 2 were issued as freestanding instruments, the written put option would be accounted for under this Subtopic as a liability measured at fair value, and the purchased call option would be accounted for under Subtopic 815-40. Under both of those situations, the noncontrolling interest is accounted for separately from the derivative instrument under applicable guidance. However, if the written put option and purchased call option are embedded in the shares (noncontrolling interest) and the shares are not ~~mandatorily redeemable~~otherwise classified as liabilities under the guidance in this Subtopic, the ~~freestanding~~ instrument shall be accounted for as discussed in paragraph 480-10-55-59 with the parent consolidating 100 percent of the subsidiary.

**> > > Written Put Option and Purchased Call Option Embedded in Noncontrolling Interest**

**480-10-55-59** If the derivative instrument in Derivative 2 is ~~freestanding of the noncontrolling interest, it should be combined with the noncontolling interest and accounted for as a financing. That is,~~embedded in the shares (noncontrolling interest) and the shares are not otherwise classified as liabilities under the guidance in this Subtopic, the combination of options~~option contracts~~ should be viewed on a combined basis with the noncontrolling interest and accounted for as a financing of the parent's purchase of the noncontrolling interest.

# Amendments to Subtopic 718-740, Compensation—Stock Compensation—Income Taxes

## Issue 7—When to Recognize Excess Tax Benefits

13. The amendments in Accounting Standards Update No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*, require that all excess tax benefits and tax deficiencies be recognized as income tax expense or benefit in the income statement. In addition, the amendments require that an entity recognize an excess tax benefit even if the entity cannot use the deduction to reduce taxes payable in the current period (for example, when an entity has a net operating loss). Some stakeholders noted that the guidance in paragraph 718-740-35-2 is not clear about whether an entity should recognize excess tax benefits (or tax deficiencies) in its income statement in the period when the amount of the tax deduction is determined or in the period when the tax deduction is taken on the entity's tax return. The amendments clarify that an entity should recognize excess tax benefits (or tax deficiencies) in the period when the amount of the tax deduction is determined, which typically is when an award is exercised, in the case of share options, or vests, in the case of nonvested stock awards.

14. Amend paragraph 718-740-35-2, with a link to transition paragraph 105-10-65-4, as follows:

## Compensation—Stock Compensation—Income Taxes

## Subsequent Measurement

#### > Treatment of Tax Consequences When Actual Deductions Differ from Recognized Compensation Cost

**718-740-35-2** This Section addresses the accounting required in a period when the deduction for compensation expense to be recognized in a~~actual tax deductions for compensation expense taken by an entity on its~~ tax return for **share-based payment arrangements** differs~~differ~~ in amounts and timing from the compensation cost~~those~~ recorded in the financial statements. The tax effect of the difference, if any, between the cumulative compensation cost of an **award** recognized for financial reporting purposes and the deduction for an award for tax purposes shall be recognized as income tax expense or benefit in the income statement. The tax effect shall be recognized in the income statement in the period in which the amount of the deduction is determined, which typically is when an award is exercised or expires, in the case of share options, or vests, in the case of nonvested stock awards~~tax deduction arises or, in the case of an expiration of an award, in the period in which the expiration occurs~~. The appropriate period depends on the type of award and the incremental guidance under the requirements of Subtopic 740-270 on income taxes—interim reporting.

## Amendments to Subtopic 720-35, Other Expenses—Advertising Costs, and Subtopic 944-30, Financial Services—Insurance—Acquisition Costs

### Issue 8—Relocate Guidance for Direct Advertising Costs

15. Stakeholders highlighted that the scope of the guidance in paragraph 720-35-25-1A (originally in Subtopic 340-20, Other Assets and Deferred Costs—Capitalized Advertising Costs) is not aligned with the source guidance in AICPA Statement of Position (SOP) No. 93-7, *Reporting on Advertising Costs*. The scope of SOP 93-7 was not limited to direct-response advertising. However, the heading and references to direct-response advertising were included in the guidance when it was initially included in the Codification, and those references were carried forward in Accounting Standards Update No. 2016-20*, Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*, when the Board moved that guidance from Topic 340 to Topic 720. The Board understands that, in practice, the guidance in paragraph 720-35-25-1A is applied by some entities on the basis of the scope of SOP 93-7. The objective of this amendment is to align the scope of this guidance in the Codification with the source guidance in SOP 93-7 by removing the references in the guidance and heading to direct-response advertising.

16. The amendments also relocate the guidance in paragraph 720-35-15-5 about direct-response advertising costs to paragraph 944-30-25-1DD. Direct-response advertising costs can only be capitalized for insurance contracts within the scope of Topic 944 in certain circumstances. The amendment that adds the phrase *except for those costs described in paragraph 720-35-25-1A* to paragraph 720-35-25-1 aligns that paragraph with the source literature in paragraph 26 of SOP 93-7 and clarifies the scope of paragraph 720-35-25-1 because the costs under paragraph 720-35-25-1A are not treated the same as the other costs in Subtopic 720-35.

17. Amend paragraph 720-35-15-2 and supersede paragraph 720-35-15-5, with a link to transition paragraph 105-10-65-4, as follows:

## Other Expenses—Advertising Costs

## Scope and Scope Exceptions

**> Transactions**

**720-35-15-2** The guidance in this Subtopic applies to all advertising transactions and activities~~, including direct-response advertising~~, with specific exceptions noted below.

**720-35-15-5** Paragraph superseded by Accounting Standards Update No. 2018-09.~~The guidance in paragraph 720-35-25-1A applies to accounting for costs related to direct-response advertising activities. Direct-response advertising activities exclude advertising that, though related to the direct-response advertising, is directed to an audience that could not be shown to have responded specifically to the direct-response advertising. For example, a television commercial announcing that order forms (that are direct-response advertising) soon will be distributed directly to some people in the viewing area would not be a direct-response advertising activity because the television commercial is directed to a broad audience, not all of which could be shown to have responded specifically to the direct-response advertising.~~ **[Content amended and moved to paragraph 944-30-25-1DD]**

18. Amend paragraph 720-35-25-1, with a link to transition paragraph 105-10-65-4, as follows:

## Recognition

**720-35-25-1** The costs of advertising within the scope of this Subtopic shall be expensed either as incurred or the first time the advertising takes place, except for those costs described in paragraph 720-35-25-1A. The accounting policy selected from these two alternatives shall be applied consistently to similar kinds of advertising activities. Deferring the costs of advertising until the advertising takes place assumes that the costs have been incurred for advertising that will occur. Such costs shall be expensed immediately if such advertising is not expected to occur. Examples of the first-time advertising takes place include the first public showing of a television commercial for its intended purpose and the first appearance of a magazine advertisement for its intended purpose.

19. Supersede the heading preceding paragraph 720-35-25-1A, with a link to transition paragraph 105-10-65-4, as follows:

**~~> Direct-Response Advertising Costs~~**

**720-35-25-1A** Expenditures for some advertising costs are made after recognizing revenues related to those costs. For example, some entities assume an obligation to reimburse their customers for some or all of the customers' advertising costs (cooperative advertising). When revenues related to the transactions creating those obligations are recognized before the expenditures are made, those obligations shall be accrued and the advertising costs expensed when the related revenues are recognized.

20. Add paragraph 944-30-25-1DD, with a link to transition paragraph 105-10-65-4, as follows:

## Financial Services—Insurance—Acquisition Costs

### Recognition

**944-30-25-1DD** ~~The guidance in paragraph 720-35-25-1A applies to accounting for costs related to direct-response advertising activities.~~ Direct-response advertising activities exclude advertising that, though related to the direct-response advertising, is directed to an audience that could not be shown to have responded specifically to the direct-response advertising. For example, a television commercial announcing that order forms (that are direct-response advertising) soon will be distributed directly to some people in the viewing area would not be a direct-response advertising activity because the television commercial is directed to a broad audience, not all of which could be shown to have responded specifically to the direct-response advertising. **[Content amended as shown and moved from paragraph 720-35-15-5]**

# Amendments to Subtopic 740-10, Income Taxes—Overall

## Issue 9—Tax Benefits Purchased from the Government Related to Inventory

21. The amendments to Subtopic 740-10 remove paragraph 740-10-25-55 and update a related example in paragraph 740-10-55-203. The guidance in paragraph 740-10-25-55 requires an entity that purchases tax benefits directly from the government, in its capacity as a taxing authority, that result from intra-entity transfers of inventory between members of a consolidated entity to apply the guidance in paragraph 740-10-25-3(e). The guidance in paragraph 740-10-25-3(e) prohibits recognition of a deferred tax asset for the difference between the tax basis of inventory in the buyer's tax jurisdiction and the cost of that inventory as reported in the consolidated financial statements.

22. Paragraph 740-10-25-3(e) was amended in Accounting Standards Update No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*, to limit the scope of the paragraph to only the intra-entity transfers of inventory. As a result, intra-entity transfers of assets such as property, plant, and equipment and intellectual property no longer are subject to the prohibition on the recognition of income tax consequences. Stakeholders informed the FASB that the tax laws that created the need for the guidance in paragraph 740-10-25-55 were, and continue to be, applicable only to certain fixed and intangible assets. Therefore, the guidance in paragraph 740-10-25-55 and its related pending content, which now only references intra-entity transfers of inventory, describes a null set of transactions and is no longer relevant. The amendment to remove the reference to an intra-entity transfer of inventory from the example about

transactions between a taxpayer and a government also is being made for the same reason.

23. This amendment also adds a heading preceding paragraph 740-10-25-53 that clarifies that the scope for paragraphs 740-10-25-53 through 25-54 consists of transactions directly between a taxpayer and a government acting in its capacity as a taxing authority.

24. Add the heading preceding paragraph 740-10-25-53, with a link to transition paragraph 740-10-65-7, as follows:

## Income Taxes—Overall

## Recognition

**> Transactions Directly between a Taxpayer and a Government**

**740-10-25-53** Transactions directly between a taxpayer and a government (in its capacity as a taxing authority) shall be recorded directly in income (in a manner similar to the way in which an entity accounts for changes in tax laws, rates, or other tax elections under this Subtopic). (See Example 26 [paragraph 740-10-55-202] for an illustration of a transaction directly with a governmental taxing authority.)

**740-10-25-54** In situations in which the tax basis step up relates to goodwill that was previously not deductible, no deferred tax asset would be recorded for the increase in basis except to the extent that the newly deductible goodwill amount exceeds the remaining balance of book goodwill.

25. Supersede paragraph 740-10-25-55 and its pending content, with a link to transition paragraph 740-10-65-7, as follows:

**740-10-25-55** Paragraph superseded by Accounting Standards Update No. 2018-09.~~In the event that an entity purchases tax benefits that result from intra-entity transactions between members of a consolidated entity, paragraph 740-10-25-3(e), which prohibits recognition of a deferred tax asset for the difference between the tax basis of assets in the buyer's tax jurisdiction and the cost of those assets as reported in the consolidated financial statements, shall be applied.~~

26. Amend paragraphs 740-10-55-168 and 740-10-55-203, with a link to transition paragraph 740-10-65-7, as follows:

## Implementation Guidance and Illustrations

### > > Example 24: Built-In Gains of S Corporation

**740-10-55-168** This Example illustrates an entity's change from taxable C corporation status to nontaxable S corporation status, in accordance with the guidance provided in paragraph 740-10-55-65. This Example has the following assumptions:

a. An entity's S corporation election is effective for calendar-year 1990 and that at the conversion date its assets comprise marketable securities, finished goods inventory, and depreciable assets as follows.

| | Fair Market Value | Tax Basis | Reported Amount | Temporary Differences | Topic 740 Built-in Gain (Loss) |
|---|---|---|---|---|---|
| Marketable securities | $ 90 | $ 100 | $ 80 | $ (20) | $ (10) |
| Inventory, (first-in, first-out [FIFO]) | 100 | 50 | 100 | 50 | 50 |
| Depreciable assets | 95 | 80 | 90 | 10 | 10 |
| | $ 285 | $ 230 | $ 270 | $ 40 | $ 50 |

b. The entity has no tax loss or credit carryforwards available to offset the built-in gains.
c. The depreciable assets will be recovered by use in operations (and, therefore, will not result in a taxable amount pursuant to the tax law applied to built-in gains).
d. The marketable securities will be sold in the same year that the **{add glossary link}**inventory**{add glossary link}** is sold, the $50 built-in gain on the inventory is reduced by the $10 built-in loss on the marketable securities, and $40 would be taxed in the year that the inventory turns over and the securities are sold. Accordingly, the entity should continue to display in its statement of financial position a deferred tax liability for that $40 net taxable amount.

### > > Example 26: Direct Transaction with Governmental Taxing Authority

**740-10-55-203** In this Example, tax laws in a foreign country enable corporate taxpayers to elect to step up the tax basis for certain fixed assets ($1,000,000) to fair value ($2,000,000) in exchange for a current payment to the government of 3 percent of the step-up ($30,000). An entity would be expected to avail itself of this election (and make the upfront payment) as long as it believed that it was likely that it would be able to utilize the additional deductions (at a tax rate of 35 percent) that were created as a result of the step-up to reduce future taxable income and that the timing and amount of the resulting future tax savings justified the current payment. (For purposes of this Example, it is assumed that the transaction that accomplishes this step-up for tax purposes does not create a taxable temporary difference~~ and is not an intra-entity transfer of **inventory** as discussed in paragraph 740-10-25-3(e)~~. A taxable temporary difference would exist, for example, if the tax benefit associated with the transaction with the governmental taxing authority becomes taxable in certain situations, such as those described in paragraph ~~830-740-25-7).~~830-740-25-7.)

27. Add paragraph 740-10-65-7 and its related heading as follows:

## Transition and Open Effective Date Information

**> Transition Related to Accounting Standards Update No. 2018-09, *Codification Improvements***

**740-10-65-7** The following represents the transition and effective date information related to Accounting Standards Update No. 2018-09, *Codification Improvements:*

a. The pending content that links to this paragraph shall follow the transition and effective date guidance in paragraph 740-10-65-5.
b. If an entity has adopted the pending content that links to paragraph 740-10-65-5, then the entity shall apply the transition and effective date guidance in paragraph 105-10-65-4.

# Amendments to Subtopic 740-30, Income Taxes—Other Considerations or Special Areas

## Issue 10

28. This issue has been removed for additional consideration and may be included in a future Accounting Standards Update on Codification improvements. These proposed amendments would have clarified that in paragraphs 740-30-25-9 and 740-30-50-2 the phrase *essentially permanent in duration* (a) is intended to modify corporate joint venture and (b) is not intended to modify the phrase *investment in a subsidiary*. Comments from accounting firms stated that the proposed amendments were insufficient or could have an unintended change in practice.

# Amendments to Subtopic 805-740, Business Combinations—Income Taxes

## Issue 11—Allocating a Consolidated Tax Position

29. This amendment removes the guidance in Subtopic 805-740 that provides three methods for allocating the consolidated tax provision to an acquired entity after acquisition. The guidance originated in EITF Issue No. 86-9, "IRC Section 338 and Push-Down Accounting," which was issued in March 1986 and described a narrow fact pattern in which an entity was acquired and pushdown accounting was not elected. After Issue 86-9 was issued, the accounting for the tax effect from a change in tax basis from all transactions with or among shareholders was addressed in EITF Issue No. 94-10, "Accounting by a Company for the Income Tax Effects of Transactions among or with Its Shareholders under FASB Statement No. 109." Issue 94-10, now codified in Topic 740, specifically included the scenario described in Issue 86-9, namely, that an investor purchasing 100 percent of the outstanding stock of a company in a transaction treated as a purchase of assets for tax purposes chooses not to "push down" the purchase price for financial reporting purposes. The decision in Issue 94-10 was not consistent with the decision in Issue 86-9. Specifically, Issue 94-10 stated that the consequences of all temporary tax differences should be recognized through net income or adjustments to equity, not as permanent differences.

30. Furthermore, the guidance in Topic 740 requires an entity to adopt a tax allocation approach that is systematic, rational, and consistent with the broad principles established by the Topic when allocating the consolidated tax expense to separate financial statements of members of a consolidated entity. The guidance in paragraph 805-740-25-13 does not support those general principles and is no longer relevant given the overall principles in Topic 740. Removing the allocation methods in paragraph 805-740-25-13 simplifies the Codification and helps to ensure that the principles in Topic 740 are applied consistently.

31. Amend paragraph 805-740-25-13, with a link to transition paragraph 105-10-65-4, as follows:

## Business Combinations—Income Taxes

## Recognition

### > Allocation of Consolidated Tax Expense to the Acquired Entity After an Acquisition

**805-740-25-13** If there is a continuation of the historical basis for financial reporting<u>, for example, when pushdown accounting is not applied,</u> at the same time as there is a tax basis step-up, the tax benefit from the tax basis step-up shall be credited to the acquired entity's additional paid-in capital consistent with paragraph 740-20-45-11(g).~~any one of the following three methods is acceptable for allocating the consolidated tax provision, with appropriate disclosure:~~

a. Subparagraph superseded by Accounting Standards Update No. 2018-09.~~Modify the intra-entity tax allocation agreement so that taxes are allocated to the acquired entity on the preacquisition tax basis~~
b. Subparagraph superseded by Accounting Standards Update No. 2018-09.~~Credit the tax benefit from the tax basis step-up to the acquired entity's additional paid-in capital when realized~~
c. Subparagraph superseded by Accounting Standards Update No. 2018-09.~~Credit the tax benefit to income of the acquired entity as a permanent difference when realized.~~

## Amendments to Subtopic 815-10, Derivatives and Hedging—Overall

### Issue 12—Offsetting Derivatives

32. Paragraph 210-20-45-1 contains four general criteria for offsetting. Paragraph 815-10-45-1 references Subtopic 210-20, Balance Sheet—Offsetting, for the criteria for offsetting derivatives. Paragraph 815-10-45-5 states that the intent to set off is not required to offset derivative assets and liabilities if certain other criteria are met. The guidance in paragraph 815-10-45-4 is potentially misleading because it can be interpreted as conflicting with the guidance in paragraph 815-10-45-5 and because it can be interpreted to mean that derivatives may only be offset when all four of the conditions in paragraph 210-20-45-1 are met. This amendment eliminates the redundancy of the reference to the criteria in paragraph 815-10-45-4.

33. Supersede paragraph 815-10-45-4 and amend paragraph 815-10-45-5, with a link to transition paragraph 105-10-65-5, as follows:

### Derivatives and Hedging—Overall

### Other Presentation Matters

**815-10-45-4** Paragraph superseded by Accounting Standards Update No. 2018-09.~~Unless the conditions in paragraph 220-10-45-1 are met, the **fair value** of derivative instruments in a loss position shall not be offset against the fair value of derivative instruments in a gain position. Similarly, amounts recognized as accrued~~

~~receivables shall not be offset against amounts recognized as accrued payables unless a right of setoff exists.~~

**815-10-45-5** ~~Without~~In accordance with paragraph 210-20-45-1, but without regard to the condition in paragraph 210-20-45-1(c), a reporting entity may offset fair value amounts recognized for derivative instruments and **{add glossary link}**fair value**{add glossary link}** amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative instrument(s) recognized at fair value executed with the same counterparty under a master netting arrangement. Solely as it relates to the right to reclaim cash collateral or the obligation to return cash collateral, fair value amounts include amounts that approximate fair value. The preceding sentence shall not be analogized to for any other asset or liability. The fair value recognized for some contracts may include an accrual component for the periodic unconditional receivables and payables that result from the contract; the accrual component included therein may also be offset for contracts executed with the same counterparty under a master netting arrangement. A master netting arrangement exists if the reporting entity has multiple contracts, whether for the same type of derivative instrument or for different types of derivative instruments, with a single counterparty that are subject to a contractual agreement that provides for the net settlement of all contracts through a single payment in a single currency in the event of default on or termination of any one contract.

# Amendments to Subtopic 815-15, Derivatives and Hedging—Embedded Derivatives

## Issue 13—Add a Reference Related to Embedded Derivatives

34. In paragraph 815-15-25-1(c), the phrase *this Subtopic* is not clear. That paragraph was originally sourced from paragraph 12 of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities.* Statement 133 stated that the separate instrument should "be a derivative instrument subject to the requirements of this Statement." Since the scope guidance from Statement 133 is found in both Subtopic 815-10, Derivatives and Hedging—Overall, and Subtopic 815-15, this amendment includes references to both Subtopics.

35. Amend paragraph 815-15-25-1, with no link to a transition paragraph, as follows:

### Derivatives and Hedging—Embedded Derivatives

### Recognition

**815-15-25-1** An **embedded derivative** shall be separated from the host contract and accounted for as a **derivative instrument** pursuant to Subtopic 815-10 if and only if all of the following criteria are met:

a. 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.
b. The **hybrid instrument** is not remeasured at **fair value** under otherwise applicable generally accepted accounting principles (GAAP) with changes in fair value reported in earnings as they occur.
c. A separate instrument with the same terms as the embedded derivative would, pursuant to Section 815-10-15, be a derivative instrument subject to the requirements of Subtopic 815-10 and this Subtopic. (The initial net investment for the hybrid instrument shall not be considered to be the initial net investment for the embedded derivative.)

## Amendments to Subtopic 820-10, Fair Value Measurement—Overall

### Issue 14—Restrictions on the Sale of an Instrument—Fair Value Considerations

36. These amendments clarify the Board's decisions about measuring the fair value of a liability or instrument classified in a reporting entity's shareholder's equity from the perspective of a market participant that holds the identical item as an asset at the measurement date. The guidance was originally added to the Codification by the amendments in Accounting Standards Update No. 2009-05, *Fair Value Measurements and Disclosures (Topic 820): Measuring Liabilities at Fair Value*. That guidance was amended in 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*, which made the guidance unclear. Before the amendments in Update 2011-04 were issued, the intent of the guidance could be characterized as follows:

a. When an issuer is valuing its liabilities or equity instruments on the basis of the quoted price of the corresponding asset, restrictions on an entity's ability to transfer such liabilities or equity instruments should not be included as an adjustment to the fair value of the quoted price of the corresponding asset.
b. Transfer restrictions that are characteristics of an asset should be considered in determining the fair value of the asset, whereas transfer restrictions that are characteristics of an entity should not be considered in determining the fair value of the asset.

37. These amendments clarify that items (a) and (b) above are not intended to substantively change how GAAP is applied. However, it is possible that the amendments may result in a change to existing practice for some entities; therefore, transition guidance has been provided.

38. Amend paragraph 820-10-35-16D, with a link to transition paragraph 105-10-65-5, as follows:

## Fair Value Measurement—Overall

## Subsequent Measurement

**820-10-35-16D** When measuring the fair value of a liability or an equity instrument held by another party as an asset, a~~A~~ reporting entity shall adjust the quoted price of ~~a liability or an instrument classified in a reporting entity's shareholders' equity held by another party as an~~the asset only if there are factors specific to the asset that are not applicable to the fair value measurement of the liability or equity instrument. ~~A reporting entity shall ensure that the price of the asset does not reflect the effect of a restriction preventing the sale of that asset.~~When the asset held by another party includes a characteristic restricting its sale, the fair value of the corresponding liability or equity instrument also would include the effect of the restriction. Some factors that may indicate that the quoted price of the asset should be adjusted include the following:

a. The quoted price for the asset relates to a similar (but not identical) liability or equity instrument held by another party as an asset. For example, the liability or equity instrument may have a particular characteristic (for example, the credit quality of the issuer) that is different from that reflected in the fair value of the similar liability or equity instrument held as an asset.
b. The unit of account for the asset is not the same as for the liability or equity instrument. For example, for liabilities, in some cases the price for an asset reflects a combined price for a package comprising both the amounts due from the issuer and a third-party credit enhancement. If the unit of account for the liability is not for the combined package, the objective is to measure the fair value of the issuer's liability, not the fair value of the combined package. Thus, in such cases, the reporting entity would adjust the observed price for the asset to exclude the effect of the third-party credit enhancement. See paragraph 820-10-35-18A for further guidance.

## Issue 15—Conforming Amendment—Valuation Approach versus Technique

39. An amendment in Accounting Standards Update No. 2016-19, *Technical Corrections and Improvements,* updated the definitions of three fair value approaches in the Codification's Master Glossary and made several amendments to Topic 820 to clarify the difference between a valuation approach and a valuation technique. Paragraph 820-10-35-24B contains an incorrect reference that also should have been amended at that time. That paragraph provides a reference to paragraph 820-10-55-35, which is related to two examples of an entity using multiple valuation approaches. Amending the reference to correctly state that the illustration is about multiple valuation approaches is problematic because the Section in which paragraph 820-10-35-24B resides is about valuation techniques and it would be counter to the prior efforts to create a clear distinction between the two terms. The guidance on valuation techniques is robust and does not require an illustration; therefore, this amendment removes the reference to paragraph 820-10-55-35.

40. Amend paragraph 820-10-35-24B, with no link to a transition paragraph, as follows:

### Subsequent Measurement

**820-10-35-24B** In some cases, a single valuation technique will be appropriate (for example, when valuing an asset or a liability using quoted prices in an **active market** for identical assets or liabilities). In other cases, multiple valuation techniques will be appropriate (for example, that might be the case when valuing a reporting unit). If multiple valuation techniques are used to measure fair value, the results (that is, respective indications of fair value) shall be evaluated considering the reasonableness of the range of values indicated by those results. A fair value measurement is the point within that range that is most representative of fair value in the circumstances. ~~Paragraph 820-10-55-35 illustrates the use of multiple valuation techniques.~~

## Issue 16—Items Permitted When Measuring via Portfolio Exception

41. When initially drafted, the amendments in Accounting Standards Update No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirement in U.S. GAAP and IFRSs*, indicated that only portfolios containing financial assets and financial liabilities were eligible for the "portfolio exception" to valuation. Nonfinancial assets and nonfinancial liabilities would continue to be valued on a net basis under an "in use"

valuation premise. Thus, a mixed portfolio of physically settled commodity contracts (that are derivatives under Topic 815, Derivatives and Hedging, but are not financial assets or liabilities as defined in the Master Glossary) managed in a portfolio with offsetting cash-settled derivatives (that are financial assets or liabilities) would not be eligible for the portfolio exception. The exclusion of nonfinancial derivatives from the portfolio exception was not intentional. These amendments revise paragraphs 820-10-35-18D through 35-18F and 820-10-35-18H through 35-18L to include not only financial assets and financial liabilities, but also portfolios of financial instruments and nonfinancial instruments accounted for as derivatives in accordance with Topic 815. This allows entities to measure fair value on a net basis for those portfolios in which financial assets and liabilities and nonfinancial instruments are managed and valued together. These amendments are consistent with a similar amendment made by the IASB in its 2011–2013 annual improvements process.

42. Amend paragraphs 820-10-35-18D through 35-18F and 820-10-35-18H through 35-18L, with a link to transition paragraph 105-10-65-5, as follows:

## Subsequent Measurement

**> > Application to Financial Assets and Financial Liabilities with Offsetting Positions in Market Risks or Counterparty Credit Risk**

**820-10-35-18D** A reporting entity that holds a group of **financial** <u>**assets,**</u>~~**assets and**~~ **financial liabilities**<u>, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items</u> is exposed to market risks (that is, **interest rate risk**, **currency risk**, or **other price risk**) and to the credit risk of each of the counterparties. If the reporting entity manages that group of financial <u>assets,</u>~~assets and~~ financial liabilities<u>, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items</u> on the basis of its net exposure to either market risks or credit risk, the reporting entity is permitted to apply an exception to this Topic for measuring fair value. That exception permits a reporting entity to measure the fair value of a group of financial <u>assets,</u>~~assets and~~ financial liabilities<u>, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items</u> on the basis of the price that would be received to sell a net long position (that is, an asset) for a particular risk exposure or paid to transfer a net short position (that is, a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. Accordingly, a reporting entity shall measure the fair value of the group of financial <u>assets,</u>~~assets and~~ financial liabilities<u>, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items</u> consistently with how market participants would price the net risk exposure at the measurement date.

**820-10-35-18E** A reporting entity is permitted to use the exception in ~~the preceding~~ paragraph 820-10-35-18D only if the reporting entity does all of the following:

a. Manages the group of financial assets,~~assets and~~ financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items on the basis of the reporting entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the reporting entity's documented risk management or investment strategy
b. Provides information on that basis about the group of financial assets,~~assets and~~ financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items to the reporting entity's **management**
c. Is required or has elected to measure those financial assets,~~assets and~~ financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items at fair value in the statement of financial position at the end of each reporting period.

**820-10-35-18F** The exception in paragraph 820-10-35-18D does not pertain to financial statement presentation. In some cases, the basis for the presentation of financial instruments in the statement of financial position differs from the basis for the measurement of financial instruments, for example, if a Topic does not require or permit financial instruments to be presented on a net basis. In such cases, a reporting entity may need to allocate the portfolio-level adjustments (see paragraphs 820-10-35-18I through 35-18L) to the individual assets or liabilities that make up the group of financial assets,~~assets and~~ financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items managed on the basis of the reporting entity's net risk exposure. A reporting entity shall perform such allocations on a reasonable and consistent basis using a methodology appropriate in the circumstances.

**820-10-35-18G** A reporting entity shall make an accounting policy decision to use the exception in paragraph 820-10-35-18D. A reporting entity that uses the exception shall apply that accounting policy, including its policy for allocating bid-ask adjustments (see paragraphs 820-10-35-18I through 35-18K) and credit adjustments (see paragraph 820-10-35-18L), if applicable, consistently from period to period for a particular portfolio.

**820-10-35-18H** The exception in paragraph 820-10-35-18D applies only to financial assets and financial liabilities within the scope of Topic 815 or Topic 825 and nonfinancial items accounted for as derivatives in accordance with Topic 815.

**> > > Exposure to Market Risks**

**820-10-35-18I** When using the exception in paragraph 820-10-35-18D to measure the fair value of a group of financial assets,~~assets and~~ financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items managed on the basis of the reporting entity's net exposure to a particular market risk (or risks), the reporting entity shall apply the price within the bid-ask spread that is most representative of fair value in the circumstances to the reporting entity's net exposure to those market risks (see paragraphs 820-10-35-36C through 35-36D).

**820-10-35-18J** When using the exception in paragraph 820-10-35-18D, a reporting entity shall ensure that the market risk (or risks) to which the reporting entity is exposed within that group of financial assets,~~assets and~~ financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items is substantially the same. For example, a reporting entity would not combine the interest rate risk associated with a financial asset with the commodity price risk associated with a financial liability, because doing so would not mitigate the reporting entity's exposure to interest rate risk or commodity price risk. When using the exception in paragraph 820-10-35-18D, any basis risk resulting from the market risk parameters not being identical shall be taken into account in the fair value measurement of the financial assets,~~assets and~~ financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items within the group.

**820-10-35-18K** Similarly, the duration of the reporting entity's exposure to a particular market risk (or risks) arising from the financial assets,~~assets and~~ financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items shall be substantially the same. For example, a reporting entity that uses a 12-month futures contract against the cash flows associated with 12 months' worth of interest rate risk exposure on a 5-year financial instrument within a group made up of only those financial assets,~~assets and~~ financial liabilities, nonfinancial items accounted for as derivatives in accordance with Topic 815, or combinations of these items measures the fair value of the exposure to 12-month interest rate risk on a net basis and the remaining interest rate risk exposure (that is, years 2 through 5) on a gross basis.

**> > > Exposure to the Credit Risk of a Particular Counterparty**

**820-10-35-18L** When using the exception in paragraph 820-10-35-18D to measure the fair value of a group of financial assets,~~assets and~~ financial liabilities, items accounted for as derivatives in accordance with Topic 815, or combinations of these items entered into with a particular counterparty, the reporting entity shall include the effect of the reporting entity's net exposure to the credit risk of that counterparty or the counterparty's net exposure to the credit risk of the reporting entity in the fair value measurement when market participants would take into account any existing arrangements that mitigate credit risk exposure in the event of default (for example, a master netting agreement with the counterparty or an agreement that requires the exchange of collateral on the basis of each party's net exposure to the credit risk of the other party). The fair value measurement shall reflect market participants' expectations about the likelihood that such an arrangement would be legally enforceable in the event of default.

## Issue 17—Moving an Indefinite Deferral from the Transition Section to the Disclosure Section in the Codification

43. This amendment replaces an indefinite deferral in transition paragraph 820-10-65-9 from Accounting Standards Update No. 2013-09, *Fair Value Measurement (Topic 820): Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04,* with a disclosure exemption in paragraph 820-10-50-2(bbb). In its deliberations on the amendments in Update 2013-09, the Board decided that the disclosure would provide competitive information that could be detrimental for employee benefit plans that held investments in their plan sponsor's own nonpublic equity securities, including equity securities of their plan sponsor's nonpublic affiliated entities. The indefinite deferral functions as a de facto disclosure exemption; however, the Transition and Open Effective Date Information Section of the Codification is not the most logical or effective placement for this exemption. Topic 820 has been amended frequently with relevant transition guidance. As additional transition guidance is added to this Topic, the paragraph containing the indefinite deferral is at risk of becoming less apparent to stakeholders. In addition, the guidance in paragraph 820-10-50-2 will remain as perpetual pending content as long as the indefinite deferral remains in the transition guidance. This creates unnecessary complications about the placement of all future amendments to paragraph 820-10-50-2. This amendment simplifies the Codification for all stakeholders by making the indefinite deferral a disclosure exception that is co-located with related disclosure guidance.

44. Amend paragraph 820-10-50-2(bbb), with no link to a transition paragraph, as follows:

### Disclosure

**820-10-50-2** To meet the objectives in paragraph 820-10-50-1, a reporting entity shall disclose, at a minimum, the following information for each class of assets and liabilities (see paragraph 820-10-50-2B for information on determining appropriate classes of assets and liabilities) measured at fair value (including measurements based on fair value within the scope of this Topic) in the statement of financial position after initial recognition:

bbb. <u>The information shall include:</u>

<u>1.</u> For recurring and nonrecurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in either or both a

valuation approach and a valuation technique (for example, changing from matrix pricing to the binomial model or the use of an additional valuation technique), the reporting entity shall disclose that change and the reason(s) for making it.

2. For fair value measurements categorized within Level 3 of the fair value hierarchy, a reporting entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. A reporting entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the reporting entity when measuring fair value (for example, when a reporting entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure, a reporting entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the reporting entity. Employee benefit plans, other than those plans that are subject to the U.S. Securities and Exchange Commission's (SEC) filing requirements, are not required to provide this disclosure for investments held by an employee benefit plan in their plan sponsor's own nonpublic equity securities, including equity securities of their plan sponsor's nonpublic affiliated entities.

**In addition, delete the pending content for paragraph 820-10-50-2 that links to paragraph 820-10-65-9, and supersede paragraph 820-10-65-9:**

**Pending Content:**

~~**Transition Date:** *Indefinitely deferred* | **Transition Guidance:** 820-10-65-9~~

~~**820-10-50-2** To meet the objectives in paragraph 820-10-50-1, a reporting entity shall disclose, at a minimum, the following information for each class of assets and liabilities (see paragraph 820-10-50-2B for information on determining appropriate classes of assets and liabilities) measured at fair value (including measurements based on fair value within the scope of this Topic) in the statement of financial position after initial recognition:~~

~~bbb. The information shall include:~~

~~1. For recurring and nonrecurring fair value measurements categorized within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in either or both a valuation approach and a valuation technique (for example, changing from matrix pricing to the binomial model or the use of an additional valuation technique), the reporting entity shall disclose that change and the reason(s) for making it.~~

2. ~~For fair value measurements categorized within Level 3 of the fair value hierarchy, a reporting entity shall provide quantitative information about the significant unobservable inputs used in the fair value measurement. A reporting entity is not required to create quantitative information to comply with this disclosure requirement if quantitative unobservable inputs are not developed by the reporting entity when measuring fair value (for example, when a reporting entity uses prices from prior transactions or third-party pricing information without adjustment). However, when providing this disclosure, a reporting entity cannot ignore quantitative unobservable inputs that are significant to the fair value measurement and are reasonably available to the reporting entity. Employee benefit plans, other than those plans that are subject to the U.S. Securities and Exchange Commission's (SEC) filing requirements, are not required to provide this disclosure for investments held by an employee benefit plan in their plan sponsor's own nonpublic equity securities, including equity securities of their plan sponsor's nonpublic affiliated entities.~~

~~**> Transition Related to Accounting Standards Update No. 2013-09, *Fair Value Measurement (Topic 820): Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04***~~

**820-10-65-9** <u>Paragraph superseded by Accounting Standards Update No. 2018-09.</u>~~The following represents the transition and effective date information related to Accounting Standards Update No. 2013-09, *Fair Value Measurement (Topic 820): Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04:*~~

a. ~~The pending content that links to this paragraph shall be applied prospectively and is effective upon issuance except for the following.~~
b. ~~For employee benefit plans other than those plans that are subject to the Securities and Exchange Commission's filing requirements:~~
    1. ~~Paragraph 820-10-50-2(bbb)(2) shall be deferred indefinitely for investments held by the employee benefit plan in its plan sponsor's own nonpublic equity securities, including equity securities of its plan sponsor's nonpublic affiliated entities.~~

## Issue 18—Conforming Amendment—Valuation Approach versus Technique

45. Paragraphs 820-10-55-11 and 820-10-55-33 through 55-34 use the term *build-up approach*. This conflicts with the guidance that states that there are three valuation approaches (cost, market, and income). The build-up approach is a method of applying the discount rate adjustment technique. As indicated in the

guidance, a build-up methodology is a subset of a valuation technique. Therefore, this amendment changes the term to *build-up methodology* for clarity.

46. Amend paragraphs 820-10-55-11 and 820-10-55-33 through 55-34 and their related heading, with no link to a transition paragraph, as follows:

## Implementation Guidance and Illustrations

**> Implementation Guidance**

**> > > > Discount Rate Adjustment Technique**

**820-10-55-11** The discount rate adjustment technique requires an analysis of market data for comparable assets or liabilities. Comparability is established by considering the nature of the cash flows (for example, whether the cash flows are contractual or noncontractual and are likely to respond similarly to changes in economic conditions), as well as other factors (for example, credit standing, collateral, duration, restrictive covenants, and liquidity). Alternatively, if a single comparable asset or liability does not fairly reflect the risk inherent in the cash flows of the asset or liability being measured, it may be possible to derive a discount rate using data for several comparable assets or liabilities in conjunction with the risk-free yield curve (that is, using a build-up <u>methodology</u>~~approach~~). Paragraph 820-10-55-33 illustrates the build-up <u>methodology</u>~~approach~~.

**> Illustrations**

**> > Example 2: Discount Rate Adjustment Technique—The Build-Up <u>Methodology</u>~~Approach~~**

**820-10-55-33** To illustrate a build-up <u>methodology</u>~~approach~~ (as discussed in paragraph 820-10-55-11), assume that Asset A is a contractual right to receive $800 in 1 year (that is, there is no timing uncertainty). There is an established market for comparable assets, and information about those assets, including price information, is available. Of those comparable assets:

a. Asset B is a contractual right to receive $1,200 in 1 year and has a market price of $1,083. Thus, the implied annual rate of return (that is, a 1-year market rate of return) is 10.8 percent [($1,200/$1,083) – 1].
b. Asset C is a contractual right to receive $700 in 2 years and has a market price of $566. Thus, the implied annual rate of return (that is, a 2-year market rate of return) is 11.2 percent [($700/$566)^0.5 – 1].
c. All three assets are comparable with respect to risk (that is, dispersion of possible payoffs and credit).

**820-10-55-34** On the basis of the timing of the contractual payments to be received for Asset A relative to the timing for Asset B and Asset C (that is, one year for Asset B versus two years for Asset C), Asset B is deemed more comparable to Asset A.

Using the contractual payment to be received for Asset A ($800) and the 1-year market rate derived from Asset B (10.8 percent), the fair value of Asset A is $722 ($800/1.108). Alternatively, in the absence of available market information for Asset B, the one-year market rate could be derived from Asset C using the build-up methodology~~approach~~. In that case, the 2-year market rate indicated by Asset C (11.2 percent) would be adjusted to a 1-year market rate using the term structure of the risk-free yield curve. Additional information and analysis might be required to determine whether the risk premiums for one-year and two-year assets are the same. If it is determined that the risk premiums for one-year and two-year assets are not the same, the two-year market rate of return would be further adjusted for that effect.

## Issue 19—Conforming Amendment for Accounting Standards Update 2016-01

47. The amendment to paragraph 820-10-50-2E relates to a requirement to disclose information about the methods and assumptions used to measure fair value for financial instruments that are measured at amortized cost and for which fair value information is required to be disclosed. The amendments in Accounting Standards Update No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, amended Topic 825, superseding the requirement to disclose information on the methods and assumptions used to measure fair value for those financial instruments. A corresponding consequential amendment was not made to Topic 820. Therefore, this amendment conforms the requirements in Topic 820 with the amendments made to Topic 825 so that the disclosure information is not required, which is consistent with the Board's intent in the amendments in Update 2016-01.

48. Amend paragraph 820-10-50-2E, with a link to transition paragraph 825-10-65-4, as follows:

### Disclosure

**820-10-50-2E** For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, a reporting entity shall disclose the information required by paragraph 820-10-50-2(b)~~, (bbb)(1),~~ and (h). However, a reporting entity is not required to provide the quantitative disclosures about significant unobservable inputs used in fair value measurements categorized within Level 3 of the fair value hierarchy required by paragraph 820-10-50-2(bbb)(2). For such assets and liabilities, a reporting entity does not need to provide the other disclosures required by this Topic.

49. Add paragraph 825-10-65-4 and its related heading as follows:

### Transition and Open Effective Date Information

**> Transition Related to Accounting Standards Update No. 2018-09, *Codification Improvements***

**825-10-65-4** The following represents the transition and effective date information related to Accounting Standards Update No. 2018-09, *Codification Improvements:*

a. The pending content that links to this paragraph shall follow the transition and effective date guidance in paragraph 825-10-65-2.
b. If an entity has adopted the pending content that links to paragraph 825-10-65-2, then the entity shall apply the transition and effective date guidance in paragraph 105-10-65-4.

## Issue 20—Enhance the Example Related to Fair Value Measurements Not as of the End of the Reporting Period

50. The amendment to paragraph 820-10-50-2 in Accounting Standards Update No. 2015-10, *Technical Corrections and Improvements,* requires disclosure of the fair value measurement at the relevant measurement date, not at the end of the reporting period. Furthermore, a reporting entity is required to clearly indicate that the fair value information presented is not as of the period's end as well as the date or period that the measurement was taken. Because this disclosure illustrates how one would comply with the guidance in paragraph 820-10-50-2, the amendments to the example illustrate the disclosure of fair value information at various measurement dates that are different from the period end date.

51. Amend paragraph 820-10-55-100, with no link to a transition paragraph, and its related pending content, with no additional links to a transition paragraph, as follows:

### Implementation Guidance and Illustrations

**> Illustrations**

**> > Example 9: Fair Value Disclosures**

**> > > Case A: Disclosure—Assets Measured at Fair Value**

**820-10-55-100** For assets and liabilities measured at fair value at the reporting date, this Topic requires quantitative disclosures about the fair value measurements for each class of assets and liabilities at the end of the reporting period. Sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. A reporting entity might disclose the following for assets to comply with paragraph 820-10-50-2(a) through (b) and paragraph 820-10-50-2B.

| ($ in millions) | | Fair Value Measurements at the End of the Reporting Period Using | | | |
|---|---|---|---|---|---|
| | 12/31/X9 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Gains (Losses) |
| **Description** | | | | | |
| **Recurring fair value measurements** | | | | | |
| Trading securities [a] | | | | | |
| Equity securities—real estate industry | $ 93 | $ 70 | $ 23 | | |
| Equity securities—oil and gas industry | 45 | 45 | | | |
| Equity securities—other | 15 | 15 | | | |
| Total trading securities | $ 153 | $ 130 | $ 23 | | |
| Available-for-sale debt securities | | | | | |
| Residential mortgage-backed securities | $ 149 | | $ 24 | $ 125 | |
| Commercial mortgage-backed securities | 50 | | | 50 | |
| Collateralized debt obligations | 35 | | | 35 | |
| U.S. Treasury securities | 85 | $ 85 | | | |
| Corporate bonds | 93 | 9 | 84 | | |
| Total available-for-sale debt securities | $ 412 | $ 94 | $ 108 | $ 210 | |
| Available-for-sale equity securities [a] | | | | | |
| Financial services industry | $ 150 | $ 150 | | | |
| Healthcare industry | 110 | 110 | | | |
| Other | 15 | 15 | | | |
| Total available-for-sale equity securities | $ 275 | $ 275 | | | |
| Total available-for-sale securities | $ 687 | $ 369 | $ 108 | $ 210 | |
| Hedge fund investments | | | | | |
| Equity long/short | $ 55 | | $ 55 | | |
| Global opportunities | 35 | | 35 | | |
| High-yield debt securities | 90 | | | $ 90 | |
| Hedge fund investments measured at net asset value [f] | 30 | | | | |
| Total hedge fund investments | $ 210 | | $ 90 | $ 90 | |
| Other investments | | | | | |
| Private equity fund investments [b] | $ 25 | | | $ 25 | |
| Direct venture capital: healthcare [a] | 53 | | | 53 | |
| Direct venture capital: energy [a] | 32 | | | 32 | |
| Other investments measured at net asset value [f] | 45 | | | | |
| Total other investments | $ 150 | | | $ 110 | |
| Derivatives | | | | | |
| Interest rate contracts | $ 57 | | $ 57 | | |
| Foreign exchange contracts | 43 | | 43 | | |
| Credit contracts | 38 | | | $ 38 | |
| Commodity futures contracts | 78 | $ 78 | | | |
| Commodity forward contracts | 20 | | 20 | | |
| Total derivatives | $ 236 | $ 78 | $ 120 | $ 38 | |
| Total recurring fair value measurements | $ 1,441 | $ 577 | $ 341 | $ 448 | |
| **Nonrecurring fair value measurements** | | | | | |
| Long-lived assets held and used [c] | $ 75 | | $ 75 | | $ (25) |
| Goodwill [d] | 30 | | | $ 30 | (35) |
| Long-lived assets held for sale [e] | 26 | | 26 | | (15) |
| Total nonrecurring fair value measurements | $ 131 | | $ 101 | $ 30 | $ (75) |

(a) On the basis of its analysis of the nature, characteristics, and risks of the securities, the reporting entity has determined that presenting them by industry is appropriate.

(b) On the basis of its analysis of the nature, characteristics, and risks of the investments, the reporting entity has determined that presenting them as a single class is appropriate.

(c) At 9/30/X9, in~~In~~ accordance with Subtopic 360-10, long-lived assets held and used with a carrying amount of $100 million were written down to their fair value of $75 million, resulting in an impairment charge of $25 million, which was included in earnings for the period.

(d) At 11/30/X9, in~~In~~ accordance with Subtopic 350-20, goodwill with a carrying amount of $65 million was written down to its implied fair value of $30 million, resulting in an impairment charge of $35 million, which was included in earnings for the period.

(e) At 5/1/X9, in~~In~~ accordance with Subtopic 360-10, long-lived assets held for sale with a carrying amount of $35 million were written down to their fair value of $26 million, less costs to sell of $6 million (or $20 million), resulting in a loss of $15 million, which was included in earnings for the period.

(f) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconcilation of the fair value hierarcy to the amounts presented in the statement of financial position.

(Note: For liabilities, a similar table should be presented.)

**Pending Content:**

**Transition Date:** *(P) December 16, 2017; (N) December 16, 2018* | **Transition Guidance:** 825-10-65-2

**820-10-55-100** For assets and liabilities measured at fair value at the reporting date, this Topic requires quantitative disclosures about the fair value measurements for each class of assets and liabilities at the end of the reporting period. Sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. A reporting entity might disclose the following for assets to comply with paragraph 820-10-50-2(a) through (b) and paragraph 820-10-50-2B.

**($ in millions)**

| Description | 12/31/X9 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Gains (Losses) |
|---|---|---|---|---|---|
| | | **Fair Value Measurements at the End of the Reporting Period Using** | | | |
| **Recurring fair value measurements** | | | | | |
| Equity securities [a] | | | | | |
| Equity securities—real estate industry | $ 93 | $ 70 | $ 23 | | |
| Equity securities—oil and gas industry | 45 | 45 | | | |
| Equity securities—financial services industry | 150 | 150 | | | |
| Equity securities—healthcare industry | 110 | 110 | | | |
| Equity securities—other | 30 | 30 | | | |
| Total equity securities | $ 428 | $ 405 | $ 23 | | |
| Available-for-sale debt securities | | | | | |
| Residential mortgage-backed securities | $ 149 | | $ 24 | $ 125 | |
| Commercial mortgage-backed securities | 50 | | | 50 | |
| Collateralized debt obligations | 35 | | | 35 | |
| U.S. Treasury securities | 85 | $ 85 | | | |
| Corporate bonds | 93 | | 93 | | |
| Total available-for-sale debt securities | $ 412 | $ 85 | $ 117 | $ 210 | |
| Hedge fund investments | | | | | |
| Equity long/short | $ 55 | | $ 55 | | |
| Global opportunities | 35 | | 35 | | |
| High-yield debt securities | 90 | | | $ 90 | |
| Hedge fund investments measured at net asset value [f] | 30 | | | | |
| Total hedge fund investments | $ 210 | | $ 90 | $ 90 | |
| Other investments | | | | | |
| Private equity fund investments [b] | $ 25 | | | $ 25 | |
| Direct venture capital: healthcare [a] | 53 | | | 53 | |
| Direct venture capital: energy [a] | 32 | | | 32 | |
| Other investments measured at net asset value [f] | 45 | | | | |
| Total other investments | $ 155 | | | $ 110 | |
| Derivatives | | | | | |
| Interest rate contracts | $ 57 | | $ 57 | | |
| Foreign exchange contracts | 43 | | 43 | | |
| Credit contracts | 38 | | | $ 38 | |
| Commodity futures contracts | 78 | $ 78 | | | |
| Commodity forward contracts | 20 | | 20 | | |
| Total derivatives | $ 179 | $ 78 | $ 120 | $ - | |
| Total recurring fair value measurements | $ 1,441 | $ 568 | $ 350 | $ 448 | |
| **Nonrecurring fair value measurements** | | | | | |
| Long-lived assets held and used [c] | $ 75 | | $ 75 | | $ (25) |
| Goodwill [d] | 30 | | | $ 30 | (35) |
| Long-lived assets held for sale [e] | 26 | | 26 | | (15) |
| Total nonrecurring fair value measurements | $ 131 | | $ 101 | $ 30 | $ (75) |

(a) On the basis of its analysis of the nature, characteristics, and risks of the securities, the reporting entity has determined that presenting them by industry is appropriate.

(b) On the basis of its analysis of the nature, characteristics, and risks of the investments, the reporting entity has determined that presenting them as a single class is appropriate.

(c) At 9/30/X9, in~~In~~ accordance with Subtopic 360-10, long-lived assets held and used with a carrying amount of $100 million were written down to their fair value of $75 million, resulting in an impairment charge of $25 million, which was included in earnings for the period.

(d) At 11/30/X9, in~~In~~ accordance with Subtopic 350-20, goodwill with a carrying amount of $65 million was written down to its implied fair value of $30 million, resulting in an impairment charge of $35 million, which was included in earnings for the period.

(e) At 5/1/X9, in~~In~~ accordance with Subtopic 360-10, long-lived assets held for sale with a carrying amount of $35 million were written down to their fair value of $26 million, less costs to sell of $6 million (or $20 million), resulting in a loss of $15 million, which was included in earnings for the period.

(f) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconcilation of the fair value hierarcy to the amounts presented in the statement of financial position.

(Note: For liabilities, a similar table should be presented.)

## Amendments to Subtopic 830-10, Foreign Currency Matters—Overall

### Issue 21

52. This issue has been removed for additional consideration and may be included in a future Accounting Standards Update on Codification improvements. These proposed amendments (a) related to the application of historical exchange rates for remeasuring certain accounts on the balance sheet and (b) modified paragraph 830-10-45-18. Comments from accounting firms and associations stated that the proposed amendments were insufficient or could have an unintended change in practice.

## Amendments to Subtopic 940-405, Financial Services—Brokers and Dealers—Liabilities, and Subtopic 942-210, Financial Services—Depository and Lending—Balance Sheet

### Issue 22—Offsetting Securities Borrowed and Loaned Transactions

53. Section 210-20-45 contains the full guidance on the conditions necessary for offsetting on the balance sheet. The guidance in paragraphs 940-405-55-1 and 942-210-45-3 also contains offsetting guidance. Paragraphs 940-405-55-1 and 942-210-45-3 originated from the AICPA Audit and Accounting Guide, *Brokers and Dealers in Securities*, and the AICPA Audit and Accounting Guide, *Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, Finance Companies, and Mortgage Companies*, which paraphrased the guidance in Section 210-20-45, albeit each slightly differently. This amendment simplifies the Codification by removing the paraphrased guidance from paragraphs 940-405-55-1 and 942-210-45-3 so that the industry Topic guidance refers to the full guidance in Section 210-20-45. In addition, the reference in paragraph 940-405-55-1 is moved to a new paragraph 940-210-45-1 to correct the intersecting Topic. In Subtopic 940-405, the intersecting Topic is Topic 405, Liabilities. The intersecting Topic should be Topic 210, Balance Sheet. This amendment removes redundant guidance, provides consistent guidance for offsetting, and makes the guidance for offsetting easier to find in Topic 940.

54. Supersede Section 940-405-55, Financial Services—Brokers and Dealers—Liabilities—Implementation Guidance and Illustrations, with a link to transition paragraph 105-10-65-4.

55. Add Subtopic 940-210, Financial Services—Brokers and Dealers—Balance Sheet, with a link to transition paragraph 105-10-65-4, as follows:

**[For ease of readability, the new Subtopic is not underlined.]**

## Financial Services—Broker and Dealers—Balance Sheet

## Overview and Background

### General

**940-210-05-1** This Subtopic provides guidance on the offsetting and combining of amounts in the balance sheet of brokers and dealers.

## Scope and Scope Exceptions

### General

**940-210-15-1** This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic; see Section 940-10-15.

## Other Presentation Matters

### General

#### > Offsetting

**940-210-45-1** See Section 210-20-45 for guidance on offsetting.

56. Amend paragraph 942-210-45-3, with a link to transition paragraph 105-10-65-4, as follows:

## Financial Services—Depository and Lending—Balance Sheet

## Other Presentation Matters

#### > Offsetting Amounts in the Balance Sheet

#### > > Repurchase and Reverse Repurchase Agreements

**942-210-45-3** ~~Topic 210 permits offsetting in the statement of financial position of only payables and receivables that represent repurchase agreements and reverse repurchase agreements and that meet all of the conditions specified therein and does not apply to securities borrowing or lending transactions.~~See Section 210-20-45 for guidance on offsetting.

## Amendments to Subtopic 942-505, Financial Services—Depository and Lending—Equity

### Issue 23—Disclosure Requirement Update Related to Basel III

57. This amendment clarifies the requirements for disclosing information on regulatory capital for depository institutions. The amendment is necessary because of recent changes in the measures of regulatory capital in Basel III, with which depository institutions must comply (for example, the newly defined measure of Common Equity Tier 1). The amendment clarifies that an entity must disclose the required and actual amounts of regulatory capital for each measure of regulatory capital for which the entity must comply. In the event of future changes to regulatory capital measures, the amendment requires any new measures that an entity is required to comply with to be disclosed in the financial statements. The new capital requirements have been adopted; therefore, no transition guidance is required for this change.

58. Amend paragraph 942-505-50-1, with no link to a transition paragraph, as follows:

### Financial Services—Depository and Lending—Equity

### Disclosure

**> Regulatory Capital Disclosures**

**> > Banks and Savings Institutions**

**942-505-50-1** Noncompliance with regulatory capital requirements could materially affect the economic resources of a bank or savings institution and claims to those resources. Accordingly, at a minimum, an entity shall disclose all of the following in the notes to the financial statements:

a. A description of regulatory capital requirements for both of the following:
   1. Those for capital adequacy purposes
   2. Those established by the prompt corrective action provisions of Section 38 of the Federal Deposit Insurance Act.
b. The actual or possible material effects of noncompliance with such requirements.
c. Whether the entity is in compliance with the regulatory capital requirements, including, as of each balance sheet date presented, both of the following with respect to quantitative measures:
   1. The entity's required and actual ratios and amounts of <u>regulatory capital, which may include Common Equity Tier 1,</u> Tier 1 leverage,

Tier 1 risk-based, and total risk-based capital, and (for savings institutions) tangible capital~~, and (for certain banks and bank holding companies) Tier 3 capital for market risk~~

2. Factors that may significantly affect capital adequacy such as potentially volatile components of capital, qualitative factors, and regulatory mandates.

d. As of each balance sheet date presented, the prompt corrective action category in which the entity was classified as of its most recent notification.

e. As of the most recent balance sheet date, whether management believes any conditions or events since notification have changed the institution's category.

Noncompliance with regulatory capital requirements may, when considered with other factors, raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

## Amendments to Subtopic 944-30, Financial Services—Insurance—Acquisition Costs

### Issue 24—Restoring a Policy Election in Topic 944 That Rolled Off Because It Was in the Transition Section of the Codification

59. This amendment restores guidance about an accounting policy election to paragraph 944-30-25-1A that was originally included in the transition guidance in Accounting Standards Update No. 2010-26, *Financial Services—Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*. There was a one-time election upon the adoption of the amendments in Update 2010-26 that if the initial application of the guidance would result in the capitalization of acquisition costs that had not been capitalized previously by an entity, the entity could elect to not capitalize those types of costs. The guidance for the one-time election was automatically removed with the transition guidance because the effective date had been met for all entities. Stakeholders expressed concern that the guidance that provided the one-time policy election was no longer in the Codification, which could potentially raise questions about the appropriateness of the accounting some time in the future for those entities that chose that election.

60. Amend paragraph 944-30-25-1A, with no link to a transition paragraph, as follows:

## Financial Services—Insurance—Acquisition Costs

## Recognition

**944-30-25-1A** An insurance entity shall capitalize only the following as acquisition costs related directly to the successful acquisition of new or renewal insurance contracts:

a. **Incremental direct costs of contract acquisition**
b. The portion of the employee's total compensation (excluding any compensation that is capitalized as incremental direct costs of contract acquisition) and payroll-related fringe benefits related directly to time spent performing any of the following acquisition activities for a contract that actually has been acquired:
    1. Underwriting
    2. Policy issuance and processing
    3. Medical and inspection
    4. Sales force contract selling.
c. Other costs related directly to the insurer's acquisition activities in (b) that would not have been incurred by the insurance entity had the acquisition contract transaction(s) not occurred.
d. Advertising costs that meet the capitalization criteria in paragraph 340-20-25-4.

<u>If the application of the guidance in this paragraph results in the capitalization of acquisition costs that had not previously been capitalized by the insurance entity before fiscal years beginning after December 15, 2011, the insurance entity may elect to not capitalize those types of costs. This election shall be made before fiscal years beginning after December 15, 2011.</u>

<u>[***Editor's Note:*** *This accounting policy election was a one-time election upon the adoption of the amendments in Update 2010-26.*]</u>

**In addition, amend the following pending content for paragraph 944-30-25-1A, with no additional link to transition:**

**Pending Content:**

**Transition Date:** *(P) December 16, 2017; (N) December 16, 2018* | **Transition Guidance:** 606-10-65-1

**944-30-25-1A** An insurance entity shall capitalize only the following as acquisition costs related directly to the successful acquisition of new or renewal insurance contracts:

a. **Incremental direct costs of contract acquisition**
b. The portion of the employee's total compensation (excluding any compensation that is capitalized as incremental direct costs of contract acquisition) and payroll-related fringe benefits related directly to time spent performing any of the following acquisition activities for a contract that actually has been acquired:
   1. Underwriting
   2. Policy issuance and processing
   3. Medical and inspection
   4. Sales force contract selling.
c. Other costs related directly to the insurer's acquisition activities in (b) that would not have been incurred by the insurance entity had the acquisition contract transaction(s) not occurred.
d. Subparagraph superseded by Accounting Standards Update No. 2014-09.

<u>If the application of the guidance in this paragraph results in the capitalization of acquisition costs that had not previously been capitalized by the insurance entity before fiscal years beginning after December 15, 2011, the insurance entity may elect to not capitalize those types of costs. This election shall be made before fiscal years beginning after December 15, 2011.</u>

<u>[***Editor's Note:*** *This accounting policy election was a one-time election upon the adoption of the amendments in Update 2010-26.*]</u>

## Amendments to Subtopic 944-310, Financial Services—Insurance—Receivables, and Subtopic 944-360, Financial Services—Insurance—Property, Plant, and Equipment

### Issue 25—Conforming Amendments for Accounting Standards Update 2016-01

61. The amendments in Accounting Standards Update No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities,* superseded paragraphs 944-325-45-3 through 45-4 and 944-325-50-1. This amendment is a conforming amendment to remove the references in the Codification to those paragraphs.

62. Amend paragraphs 944-310-45-1 through 45-2 and 944-310-50-1, with a link to transition paragraph 825-10-65-4, as follows:

## Financial Services—Insurance—Receivables

## Other Presentation Matters

**> Mortgage Loans**

**944-310-45-1** ~~Paragraph 944-325-45-3 states that realized~~Realized gains and losses on ~~all~~ investments in mortgage loans (except those that are accounted for as either hedges of net investments in foreign operations [see Subtopic 815-35] or cash flow hedges [see Subtopic 815-30]) shall be reported in the statement of earnings as a component of other income, on a pretax basis.

**944-310-45-2** ~~Paragraph 944-325-45-4 states that, if~~If not presented as a separate item in the statement of earnings, realized gains and losses shall be disclosed in the notes to financial statements (see paragraph 944-310-50-1).

## Disclosure

**> Mortgage Loans**

**944-310-50-1** ~~Paragraph 944-325-50-1 states that, if~~If realized gains and losses are not presented as a separate item in the statement of earnings ~~(see paragraph 944-310-45-4)~~, they shall be disclosed in the notes to financial statements.

63. Amend paragraphs 944-360-45-3 through 45-4 and 944-360-50-1, with a link to transition paragraph 825-10-65-4, as follows:

## Financial Services—Insurance—Property, Plant, and Equipment

## Other Presentation Matters

**> Income Statement**

**> > Real Estate Investments**

**944-360-45-3** ~~Paragraph 944-325-45-3 states that realized~~Realized gains and losses on ~~all~~ investments in real estate~~(except those that are accounted for as either hedges of net investments in foreign operations [see Subtopic 815-35] or cash flow hedges [see Subtopic 815-30])~~ shall be reported in the statement of earnings as a component of other income, on a pretax basis.

**944-360-45-4** ~~Paragraph 944-325-45-4 states that realized~~Realized gains and losses shall be presented as a separate item in the statement of earnings or disclosed in the notes to financial statements (see paragraph 944-310-50-1).

## Disclosure

**944-360-50-1** ~~Paragraph 944-325-50-1 states that, if~~If realized gains and losses are not presented as a separate item in the statement of earnings~~ (see paragraph 944-360-45-4)~~, they shall be disclosed in the notes to financial statements.

**[The following transition guidance was added in Issue 19. It is being repeated here for context and ease of readability.]**

## Transition and Open Effective Date Information

**> Transition Related to Accounting Standards Update No. 2018-09, *Codification Improvements***

**825-10-65-4** The following represents the transition and effective date information related to Accounting Standards Update No. 2018-09, *Codification Improvements:*

a. The pending content that links to this paragraph shall follow the transition and effective date guidance in paragraph 825-10-65-2.
b. If an entity has adopted the pending content that links to paragraph 825-10-65-2, then the entity shall apply the transition and effective date guidance in paragraph 105-10-65-4.

# Issue 26—Add Reference for Real Estate Held for Sale

64. Real estate that meets the criteria to be classified as held for sale is carried at the lower of carrying value or fair value less cost to sell, as originally specified in paragraph 34 of FASB Statement No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. That guidance was not included in paragraph 944-360-35-1. This amendment adds references to the applicable guidance for determining the subsequent measurement of real estate acquired by insurance companies in settling certain claims.

65. Amend paragraph 944-360-35-1, with a link to transition paragraph 105-10-65-4, as follows:

## Subsequent Measurement

**> Real Estate Acquired in Settling Certain Claims**

**944-360-35-1** In accordance with paragraph 360-10-35-43, real estate classified as held for sale that was~~Real estate~~ acquired in settling mortgage guaranty and title insurance claims shall be ~~reported~~ subsequently measured in accordance with the guidance on property, plant, and equipment in Section 360-10-35~~at **fair value**~~.

# Amendments to Subtopic 958-325, Not-for-Profit Entities—Investments—Other

## Issue 27

66. This issue has been removed for additional consideration and may be included in a future Accounting Standards Update on Codification improvements. This proposed amendment would have added guidance to paragraph 958-325-35-1 to address the measurement of carrying value for other investments that are not within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost. Comments from accounting firms stated that the proposed amendment was insufficient or could have an unintended change in practice.

# Amendments to Subtopic 958-720, Not-for-Profit Entities—Other Expenses

## Issue 28—Clarification of Gains and Losses for Not-for-Profit Entities

67. This amendment improves the description of the items in paragraph 958-720-45-15 that would be considered gains and losses for a not-for-profit entity. This amendment also changes the term *for-profit entity* to the term *business entity* in Subtopic 958-720.

68. Amend paragraph 958-720-45-15, with no link to a transition paragraph, as follows:

### Not-for-Profit Entities—Other Expenses

### Other Presentation Matters

#### > Analysis of Expenses by Their Nature and Function

**958-720-45-15** All NFPs shall report information about all expenses in one location on the face of the statement of activities, as a schedule in the notes to financial statements, or in a separate financial statement, as discussed in paragraph 958-205-45-6. The relationship between functional classification and natural classification for all expenses shall be presented in an analysis that disaggregates **functional expense classifications**, such as major classes of **program services** and **supporting activities**, by their **natural expense classifications**, such as salaries, rent, electricity, interest expense, supplies, depreciation, awards and grants to others, and professional fees. To the extent that expenses are reported by other than their natural classification (such as salaries included in cost of goods sold or facility rental costs of special events reported as direct benefits to donors), they shall be reported by their natural classification in the analysis of expenses by nature and function. For example, salaries, wages, and fringe benefits that are included as part of the cost of goods sold on the statement of activities shall be included with other salaries, wages, and fringe benefits in the analysis of expenses by nature and function. External and direct internal investment expenses that have been netted against investment return shall not be included in the analysis of expenses by nature and function. Certain items that are typically excluded from net <u>income and that are included in other comprehensive income of business entities</u>~~income of for-profit entities and that do not follow Topic 958~~, such as those items listed in paragraph 220-10-45-10A, are considered gains or losses and, like other gains and losses, shall not be included in the analysis of expenses by nature and function. See Note F in paragraph 958-205-55-21 for an example of how to report expenses by nature and function.

# Amendments to Subtopic 962-205, Plan Accounting—Defined Contribution Pension Plans—Presentation of Financial Statements, and Addition of Subtopic 962-360, Plan Accounting—Defined Contribution Pension Plans—Property, Plant, and Equipment

## Issue 29—Relocate Guidance to Correct Intersecting Topic in the Codification

69. Paragraph 962-205-45-5 contains guidance for property, plant, and equipment. Subtopic 962-205 is the intersecting Subtopic for the presentation of financial statements, but not for property, plant, and equipment. The new Subtopic 962-360 is the intersecting Subtopic for property, plant, and equipment. This change makes the guidance easier to locate and provides consistency with updated Topics on plan accounting. In Topic 960, Plan Accounting—Defined Benefit Pension Plans, and Topic 965, Plan Accounting—Health and Welfare Benefit Plans, this guidance resides in intersecting Subtopics 960-360 and 965-360, respectively. To make the Topic structure consistent with related Topics and the guidance easier to find, this amendment moves the property, plant, and equipment guidance to Subtopic 962-360.

70. Add Subtopic 962-360, Plan Accounting—Defined Contribution Pension Plans—Property, Plant, and Equipment, with no link to a transition paragraph, as follows:

**[For ease of readability, the new Subtopic is not underlined.]**

# Plan Accounting—Defined Contribution Pension Plans—Property, Plant, and Equipment

## Overview and Background

### General

**962-360-05-1** This Subtopic provides guidance on accounting for property, plant, and equipment for **defined contribution plans**.

## Scope and Scope Exceptions

### General

#### > Overall Guidance

**962-360-15-1** This Subtopic follows the same Scope and Scope Exceptions as outlined in the Overall Subtopic; see Section 962-10-15.

## Glossary

#### Defined Contribution Plan

A plan that provides an individual account for each participant and provides benefits that are based on all of the following: amounts contributed to the participant's account by the employer or employee; investment experience; and any forfeitures allocated to the account, less any administrative expenses charged to the plan.

a. Defined contribution health and welfare plans—Defined contribution health and welfare plans maintain an individual account for each plan participant. They have terms that specify the means of determining the contributions to participants' accounts, rather than the amount of benefits the participants are to receive. The benefits a plan participant will receive are limited to the amount contributed to the participant's account, investment experience, expenses, and any forfeitures allocated to the participant's account. These plans also include flexible spending arrangements.

b. Defined contribution postretirement plan—A plan that provides postretirement benefits in return for services rendered, provides an individual account for each plan participant, and specifies how contributions to the individual's account are to be determined rather than specifies the amount of benefits the individual is to receive. Under a defined contribution postretirement plan, the benefits a plan participant will receive depend solely on the amount contributed to the plan participant's account, the returns earned on investments of those contributions, and the forfeitures of other plan participants' benefits that may be allocated to that plan participant's account.

## Subsequent Measurement

### General

**962-360-35-1** Plan assets used in plan operations shall be reported at cost less accumulated depreciation or amortization and may consist of any of the following:

a. Buildings
b. Equipment
c. Furniture and Fixtures
d. Leasehold improvements. **[Content moved from paragraph 962-205-45-5]**

71. Supersede paragraph 962-205-45-5, with no link to a transition paragraph, as follows:

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

## Other Presentation Matters

#### > Other Components of Net Assets Available for Benefits

**962-205-45-5** Paragraph superseded by Accounting Standards Update No. 2018-09.~~Plan assets used in plan operations shall be reported at cost less accumulated depreciation or amortization and may consist of any of the following:~~

~~a. Buildings~~
~~b. Equipment~~
~~c. Furniture and fixtures~~

d. ~~Leasehold improvements~~. **[Content moved to paragraph 962-360-35-1]**

# Amendments to Subtopic 962-325, Plan Accounting—Defined Contribution Pension Plans—Investments—Other

## Issue 30—Remove Stable Value Common Collective Trust Fund from Example

72. This amendment removes the stable value common collective trust fund from the illustrative example in paragraph 962-325-55-17 to avoid the interpretation that such an investment would not have a readily determinable fair value and should always use the net asset value per share practical expedient. Rather, the plan would need to evaluate whether a readily determinable fair value exists or whether those investments may qualify for the practical expedient to measure at net asset value in accordance with Topic 820, Fair Value Measurement. This issue was initially raised in the context of what disclosures would be required, rather than a significant practice issue about measurement.

73. Amend paragraph 962-325-55-17, with a link to a transition paragraph 105-10-65-5, as follows:

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

### Implementation Guidance and Illustrations

**> Illustrations**

**> > Example 2: Illustrative Financial Statements and Disclosures of a Defined Contribution Plan**

**962-325-55-17** This Example illustrates certain applications of the provisions of this Subtopic to the annual financial statements of a defined contribution plan. The following are illustrative financial statements and disclosures.

~~Key assumptions in the Example include:~~

a. <u>Subparagraph superseded by Accounting Standards Update No. 2018-09.</u>~~The stable value collective trust fund that is referenced throughout the financial statements files Form 5500 as a direct filing entity, and, as a~~

~~result, the plan has not disclosed that investment's significant investment strategies as allowed under paragraph 962-325-50-9.~~

b. Subparagraph superseded by Accounting Standards Update No. 2018-09.~~The plan assets are measured as of the plan's fiscal year-end on December 31, 20X1, and December 31, 20X0.~~

**[The tables in (b) are not shown because they are unchanged.]**

Notes to Financial Statements

**[Notes A and B are not shown because they are unchanged.]**

C. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under Topic 820 are described as follows:

| | |
|---|---|
| Level 1 | Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan can access at the measurement date. |
| Level 2 | Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as:<br>a. Quoted prices for similar assets or liabilities in active markets<br>b. Quoted prices for identical or similar assets or liabilities in inactive markets<br>c. Inputs other than quoted prices that are observable for the asset or liability<br>d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.<br><br>If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. |

| | |
|---|---|
| Level 3 | Inputs that are unobservable inputs for the asset or liability. |

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 20X1, and 20X0.

1. Common stocks. Valued at the closing price reported on the active market on which the individual securities are traded.
2. Self-directed brokerage accounts. Accounts primarily consist of mutual funds and common stocks that are valued on the basis of readily determinable market prices.
3. Corporate bonds. Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing the value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, those corporate bonds are valued under a discounted cash flow approach that maximizes observable inputs, such as current yields or similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.
4. Mutual funds. Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.
5. Subparagraph superseded by Accounting Standards Update No. 2018-09.~~Stable value collective trust fund. A stable value fund that is composed primarily of fully benefit-responsive investment contracts that is valued at the net asset value of units of the bank collective trust. The net asset value is used as a practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the fund will sell the investment for an amount different from the reported net asset value. Participant transactions (purchases and sales) may occur daily. If the Plan initiates a full redemption of the collective trust, the issuer reserves the right to require 12 months' notification in order to ensure that securities liquidations will be carried out in an orderly business manner.~~
6. U.S. government securities. Valued using pricing models maximizing the use of observable inputs for similar securities.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 20X1, and 20X0. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

| | Assets at Fair Value as of December 31, 20X1 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | ~~$ 4,437,500~~<br>$ 5,859,500 | $ - | $ - | ~~$ 4,437,500~~<br>$ 5,859,500 |
| Self-directed brokerage account | 25,000 | - | - | 25,000 |
| Common stocks | 960,000 | - | - | 960,000 |
| U.S. government securities | - | 225,000 | - | 225,000 |
| Corporate bonds (Aaa credit rating & noninvestment grade) | - | 307,500 | 20,000 | 327,500 |
| ~~Total assets in the fair value hierarchy~~ | ~~5,422,500~~ | ~~532,500~~ | ~~20,000~~ | ~~5,975,000~~ |
| ~~Investments measured at net asset value~~ ~~(a)~~ | ~~-~~ | ~~-~~ | ~~-~~ | ~~1,422,000~~ |
| Investments at fair value | ~~$ 5,422,500~~<br>$ 6,844,500 | $ 532,500 | $ 20,000 | $ 7,397,000 |

| | Assets at Fair Value as of December 31, 20X0 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Mutual funds | ~~$ 3,630,000~~<br>$ 5,730,000 | $ - | $ - | ~~$ 3,630,000~~<br>$ 5,730,000 |
| Self-directed brokerage account | 20,000 | - | - | 20,000 |
| Common stocks | 870,000 | - | - | 870,000 |
| U.S. government securities | - | 120,000 | - | 120,000 |
| Corporate bonds (Aaa credit rating & noninvestment grade) | - | 255,000 | 19,000 | 274,000 |
| ~~Total assets in the fair value hierarchy~~ | ~~4,520,000~~ | ~~375,000~~ | ~~19,000~~ | ~~4,914,000~~ |
| ~~Investments measured at net asset value~~ ~~(a)~~ | | | | ~~2,100,000~~ |
| Investments at fair value | ~~$ 4,520,000~~<br>$ 6,620,000 | $ 375,000 | $ 19,000 | $ 7,014,000 |

~~(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statement of net assets available for benefits.~~

Transfers between Levels

For years ended December 31, 20X1, and 20X0, there were no significant transfers between Levels 1 and 2 and no transfers in or out of Level 3.

Changes in Fair Value of Level 3 Assets and Related Gains and Losses

The following table sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the year ended December 31, 20X1.

| | Level 3 Assets Year Ended December 31, 20X1 (Corporate Bonds) |
|---|---|
| Balance, beginning of year | $ 19,000 |
| Realized gains/(losses) | 500 |
| Unrealized gains/(losses) relating to instruments still held at the reporting date | 2,000 |
| Purchases | - |
| Sales | (1,500) |
| Transfers in and/or out of Level 3 | - |
| Balance, end of year | $ 20,000 |
| The amount of total gains or losses for the period attributable to the change in unrealized gains or losses relating to assets still held at the reporting date | $ 2,000 |

Quantitative Information about Significant Unobservable Inputs Used in Level 3 Fair Value Measurements

The following table represents the Plan's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs and the ranges of values for those inputs.

| Instrument | Fair Value | Principal Valuation Technique | Unobservable Inputs | Range of Significant Input Values | Weighted Average |
|---|---|---|---|---|---|
| | | | Credit risk (basis points) | xx-xxx | Y% |
| Corporate bonds | $20,000 | Discounted cash flow | Liquidity risk (basis points) | xx-xxx | Y% |

~~Investments Measured Using the Net Asset Value per Share Practical Expedient~~

~~The following table summarizes investments for which fair value is measured using the net asset value per share practical expedient as of December 31, 20X1, and 20X0, respectively. There are no participant redemption restrictions for these investments; the redemption notice period is applicable only to the Plan.~~

| ~~December 31, 20X1~~ | ~~Fair Value~~ | ~~Unfunded Commitments~~ | ~~Redemption Frequency (If Currently Eligible)~~ | ~~Redemption Notice Period~~ |
|---|---|---|---|---|
| ~~Stable value collective trust fund~~ | ~~$1,422,000~~ | ~~n/a~~ | ~~Daily~~ | ~~12 months~~ |

| ~~December 31, 20X0~~ | ~~Fair Value~~ | ~~Unfunded Commitments~~ | ~~Redemption Frequency (If Currently Eligible)~~ | ~~Redemption Notice Period~~ |
|---|---|---|---|---|
| ~~Stable value collective trust fund~~ | ~~$2,100,000~~ | ~~n/a~~ | ~~Daily~~ | ~~12 months~~ |

D. Fully Benefit-Responsive Investment Contracts

The Plan holds a portfolio of investment contracts that are directly effected with the issuer that comprises a traditional investment contract and a portfolio of synthetic investment contracts. These contracts meet the fully benefit-responsive investment contract criteria and therefore are reported at contract value. Contract value is the relevant measure for fully benefit-responsive investment contracts because this is the amount received by participants if they were to initiate permitted transactions under the terms of the Plan. Contract value represents contributions made under each contract, plus earnings, less participant withdrawals, and administrative expenses. The following represents the disaggregation of contract value between types of investment contracts held by the Plan.

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

## Amendments to Subtopic 105-10, Generally Accepted Accounting Principles—Overall

74. Add paragraphs 105-10-65-4 through 65-5 and their related headings as follows:

## Generally Accepted Accounting Principles—Overall

## Transition and Open Effective Date Information

**> Transition Related to Accounting Standards Update No. 2018-09, *Codification Improvements***

**105-10-65-4** The following represents the transition and effective date information related to Accounting Standards Update No. 2018-09, *Codification Improvements:*

a. A **public business entity**, a **not-for-profit entity** that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and an employee benefit plan that files or furnishes financial statements with or to the U.S. Securities and Exchange Commission shall apply the pending content that links to this paragraph for annual periods beginning after December 15, 2018, including interim periods within those annual periods.
b. All other entities shall apply the pending content that links to this paragraph for annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020.
c. An entity shall recognize and present separately the cumulative effect of the change in accounting principle of the pending content that links to this paragraph 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) as of the beginning of the period in which it is first applied. 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 to this paragraph.
d. An entity may elect to apply the pending content that links to this paragraph retrospectively.
e. Early application of the pending content that links to this paragraph is permitted for any fiscal year or interim period for which the entity's financial statements have not yet been issued (public business entities) or for which **financial statements are available to be issued** (all other entities).
f. An entity shall disclose the nature of a change in accounting principle to the pending content that links to this paragraph and the reason for the change.

**105-10-65-5** The following represents the transition and effective date information related to Accounting Standards Update No. 2018-09, *Codification Improvements:*

a. A **public business entity**, a **not-for-profit entity** that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and an employee benefit plan that files or furnishes financial statements with or to the U.S. Securities and Exchange Commission shall apply the pending content that links to this paragraph for annual periods beginning after December 15, 2018, including interim periods within those annual periods.

b. All other entities shall apply the pending content that links to this paragraph for annual periods beginning after December 15, 2019, and interim periods within annual periods beginning after December 15, 2020.

c. An entity shall apply the pending content that links to this paragraph prospectively.

d. Early application of the pending content that links to this paragraph is permitted for any fiscal year or interim period for which the entity's financial statements have not yet been issued (public business entities) or for which **financial statements are available to be issued** (all other entities).

e. An entity shall disclose the nature of a change in accounting principle to the pending content that links to this paragraph and the reason for the change.

## Amendments to Status Sections

75. 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 | Action | Accounting Standards Update | Date |
|---|---|---|---|
| **Financial Statements Are Available to Be Issued** | Added | 2018-09 | 07/16/2018 |
| 105-10-65-4 | Added | 2018-09 | 07/16/2018 |
| 105-10-65-5 | Added | 2018-09 | 07/16/2018 |

76. Amend paragraph 220-10-00-1, by adding the following item to the table, as follows:

**220-10-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 220-10-45-10B | Amended | 2018-09 | 07/16/2018 |

77. Amend paragraph 260-10-00-1, by adding the following items to the table, as follows:

**260-10-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 260-10-45-60B | Amended | 2018-09 | 07/16/2018 |
| 260-10-55-62 | Amended | 2018-09 | 07/16/2018 |

78. 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.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 320-10-50-1A | Amended | 2018-09 | 07/16/2018 |
| 320-10-50-13 | Superseded | 2018-09 | 07/16/2018 |

79. Amend paragraph 470-50-00-1, by adding the following item to the table, as follows:

**470-50-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 470-50-40-2A | Added | 2018-09 | 07/16/2018 |

80. Amend paragraph 480-10-00-1, by adding the following items to the table, as follows:

**480-10-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 480-10-55-55 | Amended | 2018-09 | 07/16/2018 |
| 480-10-55-59 | Amended | 2018-09 | 07/16/2018 |

81. Amend paragraph 718-740-00-1, by adding the following item to the table, as follows:

**718-740-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 718-740-35-2 | Amended | 2018-09 | 07/16/2018 |

82. Amend paragraph 720-35-00-1, by adding the following items to the table, as follows:

**720-35-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 720-35-15-2 | Amended | 2018-09 | 07/16/2018 |
| 720-35-15-5 | Superseded | 2018-09 | 07/16/2018 |
| 720-35-25-1 | Amended | 2018-09 | 07/16/2018 |
| 720-35-25-1A | Amended | 2018-09 | 07/16/2018 |

83. Amend paragraph 740-10-00-1, by adding the following items to the table, as follows:

**740-10-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 740-10-25-53 | Amended | 2018-09 | 07/16/2018 |

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 740-10-25-55 | Superseded | 2018-09 | 07/16/2018 |
| 740-10-55-168 | Amended | 2018-09 | 07/16/2018 |
| 740-10-55-203 | Amended | 2018-09 | 07/16/2018 |
| 740-10-65-7 | Added | 2018-09 | 07/16/2018 |

84. Amend paragraph 805-740-00-1, by adding the following item to the table, as follows:

**805-740-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 805-740-25-13 | Amended | 2018-09 | 07/16/2018 |

85. 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.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 815-10-45-4 | Superseded | 2018-09 | 07/16/2018 |
| 815-10-45-5 | Amended | 2018-09 | 07/16/2018 |

86. Amend paragraph 815-15-00-1, by adding the following item to the table, as follows:

**815-15-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 815-15-25-1 | Amended | 2018-09 | 07/16/2018 |

87. 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 | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 820-10-35-16D | Amended | 2018-09 | 07/16/2018 |
| 820-10-35-18D through 35-18F | Amended | 2018-09 | 07/16/2018 |
| 820-10-35-18H through 35-18L | Amended | 2018-09 | 07/16/2018 |
| 820-10-35-24B | Amended | 2018-09 | 07/16/2018 |
| 820-10-50-2 | Amended | 2018-09 | 07/16/2018 |
| 820-10-50-2E | Amended | 2018-09 | 07/16/2018 |
| 820-10-55-11 | Amended | 2018-09 | 07/16/2018 |
| 820-10-55-33 | Amended | 2018-09 | 07/16/2018 |
| 820-10-55-34 | Amended | 2018-09 | 07/16/2018 |
| 820-10-55-100 | Amended | 2018-09 | 07/16/2018 |
| 820-10-65-9 | Superseded | 2018-09 | 07/16/2018 |

88. 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 | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 825-10-65-4 | Added | 2018-09 | 07/16/2018 |

89. Add paragraph 940-210-00-1 as follows:

<u>**940-210-00-1** The following table identifies the changes made to this Subtopic.</u>

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 940-210-05-1 | Added | 2018-09 | 07/16/2018 |
| 940-210-15-1 | Added | 2018-09 | 07/16/2018 |

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 940-210-45-1 | Added | 2018-09 | 07/16/2018 |

90. Amend paragraph 940-405-00-1, by adding the following item to the table, as follows:

**940-405-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 940-405-55-1 | Superseded | 2018-09 | 07/16/2018 |

91. Amend paragraph 942-210-00-1, by adding the following item to the table, as follows:

**942-210-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 942-210-45-3 | Amended | 2018-09 | 07/16/2018 |

92. Amend paragraph 942-505-00-1, by adding the following item to the table, as follows:

**942-505-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 942-505-50-1 | Amended | 2018-09 | 07/16/2018 |

93. 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.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 944-30-25-1A | Amended | 2018-09 | 07/16/2018 |
| 944-30-25-1DD | Added | 2018-09 | 07/16/2018 |

94. Amend paragraph 944-310-00-1, by adding the following items to the table, as follows:

**944-310-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 944-310-45-1 | Amended | 2018-09 | 07/16/2018 |
| 944-310-45-2 | Amended | 2018-09 | 07/16/2018 |
| 944-310-50-1 | Amended | 2018-09 | 07/16/2018 |

95. Amend paragraph 944-360-00-1, by adding the following items to the table, as follows:

**944-360-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 944-360-35-1 | Amended | 2018-09 | 07/16/2018 |
| 944-360-45-3 | Amended | 2018-09 | 07/16/2018 |
| 944-360-45-4 | Amended | 2018-09 | 07/16/2018 |
| 944-360-50-1 | Amended | 2018-09 | 07/16/2018 |

96. Amend paragraph 958-720-00-1, by adding the following item to the table, as follows:

**958-720-00-1** The following table identifies the changes made to this Subtopic.

| Paragraph | Action | Accounting Standards Update | Date |
|---|---|---|---|
| 958-720-45-15 | Amended | 2018-09 | 07/16/2018 |

97. Amend paragraph 962-205-00-1, by adding the following item to the table, as follows:

**962-205-00-1** The following table identifies the changes made to this Subtopic.

| **Paragraph** | **Action** | **Accounting Standards Update** | **Date** |
|---|---|---|---|
| 962-205-45-5 | Superseded | 2018-09 | 07/16/2018 |

98. Amend paragraph 962-325-00-1, by adding the following item to the table, as follows:

**962-325-00-1** The following table identifies the changes made to this Subtopic.

| **Paragraph** | **Action** | **Accounting Standards Update** | **Date** |
|---|---|---|---|
| 962-325-55-17 | Amended | 2018-09 | 07/16/2018 |

99. Add paragraph 962-360-00-1 as follows:

<u>**962-360-00-1** The following table identifies the changes made to this Subtopic.</u>

| **Paragraph** | **Action** | **Accounting Standards Update** | **Date** |
|---|---|---|---|
| **Defined Contribution Plan** | Added | 2018-09 | 07/16/2018 |
| 962-360-05-1 | Added | 2018-09 | 07/16/2018 |
| 962-360-15-1 | Added | 2018-09 | 07/16/2018 |
| 962-360-35-1 | Added | 2018-09 | 07/16/2018 |

*The amendments in this Update were adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:*

Russell G. Golden, *Chairman*
James L. Kroeker, *Vice Chairman*
Christine A. Botosan
Marsha L. Hunt
Harold L. Monk, Jr.
R. Harold Schroeder
Marc A. Siegel

# Amendments to the XBRL Taxonomy

The amendments to the *FASB Accounting Standards Codification*® in this Accounting Standards Update require improvements to the U.S. GAAP Financial Reporting Taxonomy (Taxonomy). Those improvements, which will be incorporated into the proposed 2019 Taxonomy, are available through Taxonomy Improvements provided at www.fasb.org, and finalized as part of the annual release process.