FASB EXPOSURE DRAFT

Proposed Accounting Standards Update

Issued: November 26, 2019
Comments Due: December 26, 2019

Codification Improvements

The Board issued this Exposure Draft to solicit public comment on proposed changes to the *FASB Accounting Standards Codification*®. Individuals can submit comments in one of three ways: using the electronic feedback form on the FASB website, emailing comments to director@fasb.org, or sending a letter to "Technical Director, File Reference No. 2019-800, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116."

Notice to Recipients of This Exposure Draft of a Proposed Accounting Standards Update

The Board invites comments on all matters in this Exposure Draft until December 26, 2019. Interested parties may submit comments in one of three ways:

- Using the electronic feedback form available on the FASB website at Exposure Documents Open for Comment
- Emailing comments to director@fasb.org, File Reference No. 2019-800
- Sending a letter to "Technical Director, File Reference No. 2019-800, FASB, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116."

All comments received are part of the FASB's public file and are available at www.fasb.org.

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. A copy of this Exposure Draft is available at www.fasb.org.

FASB FINANCIAL ACCOUNTING STANDARDS BOARD®

Proposed Accounting Standards Update

Codification Improvements

November 26, 2019

Comment Deadline: December 26, 2019

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Summary and Questions for Respondents

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

The Board has a standing project on its agenda to address suggestions received from stakeholders on the Accounting Standards Codification and to make other incremental improvements to generally accepted accounting principles (GAAP). This perpetual project facilitates Codification updates for technical corrections such as conforming amendments, clarifications to guidance, simplifications to wording or structure of guidance, and other minor improvements and should eliminate the need for periodic agenda requests for narrow and incremental items. The resulting 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 are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. The amendments in this proposed Update include items raised for Board consideration through the Codification's feedback system that met the scope of this project.

An explanation of why each amendment in this proposed Update is being made is provided in the "Amendments to the *FASB Accounting Standards Codification*®" section. Thus, there is no separate section for the Board's basis for conclusions in this proposed Update.

Who Would Be Affected by the Amendments in This Proposed Update?

The amendments in this proposed Update would affect a wide variety of Topics in the Codification. A chart identifying the Topics, paragraphs, and the nature of amendment being proposed is provided in the "Amendments to the *FASB Accounting Standards Codification*®" section.

The amendments in this proposed Update would 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 proposed Update may have on entities that are within the proposed Update's scope.

In Section A of this proposed Update, the Board is proposing amendments to the Codification that would remove references to various Concepts Statements. In most instances, the references are extraneous and not required to understand or apply the guidance. In other instances, the references are a substitute for actual wording from a Concepts Statement, specifically the definitions of some elements from FASB Concepts Statement No. 6, *Elements of Financial Statements*.

Amendments to standards and changes to the Concepts Statements are ongoing, albeit separate activities. Even though the Concepts Statements are nonauthoritative, it is possible that some stakeholders may perceive an inconsistency in applying authoritative guidance when standard setting and changes to the Concepts Statements are not synchronized. The Board believes that removing all references to Concepts Statements and including the actual text of the definitions that were intended to be applied in the guidance will simplify the Codification. In addition, the Board believes that removing references to Concepts Statements will benefit future standard-setting efforts and anticipated changes to Concepts Statements in the following ways:

1. It will help eliminate any perception by stakeholders that a change in the Concepts Statements changes existing authoritative guidance.
2. It will eliminate the need for stakeholders to refer to another source for definitions or to find other information that could easily be contained in the Codification.
3. It will reduce the risk that amendments to the Concepts Statements could result in an unintended change in practice or trigger a need to amend the Codification.

Section B of this proposed Update contains proposed amendments that would improve the consistency of the Codification by including all disclosure guidance in the appropriate Disclosure Section (Section 50). Many of the proposed amendments have arisen because the Board provided an option to give certain information either on the face of the financial statements or in the notes to financial statements, and that option only was included in the Other Presentation Matters Section of the Codification. The option to disclose information in the notes to financial statements should have been codified in the Disclosure Section as well as the Other Presentation Matters Section (or other Section of the Codification in which the option to disclose in the notes to financial statements appears). Those proposed amendments are not expected to change current practice, and the Board anticipates that no transition guidance would be required.

Section C contains proposed Codification improvements that vary in nature. A complete list of Codification Topics that are affected by the proposed amendments can be found in the "Summary of Proposed Amendments to the Accounting Standards Codification" section on pages 7–9.

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

The amendments in Section A of this proposed Update would simplify the Codification by removing references to Concepts Statements. Concepts Statements are not authoritative, and removing the references to them from the Codification would improve the Codification's cohesiveness. Codification users would be able to see all requirements necessary to apply a standard in one place. In addition, removing the references from the Codification would ease perceptions that changes in the Concepts Statements may have an effect on existing standards. Lastly, the Board believes that removing the references to Concepts Statements would simplify and improve the efficiency of future amendments to both the Codification and the Concepts Statements by eliminating the need for future amendments to the Codification when Concepts Statements change and by reducing the risk that an entity would inappropriately apply changes in the Concepts Statements to existing guidance that could result in unintended changes in practice. The Board does not anticipate that the proposed amendments in Section A would result in any changes to current GAAP.

The amendments in Section B of this proposed Update are intended to improve the Codification by ensuring that all guidance that requires or provides an option for an entity to provide information in the notes to financial statements is codified in the Disclosure Section of the Codification. That would reduce the likelihood that the disclosure requirement would be missed. The Board does not anticipate that the proposed amendments in Section B would result in any changes to current GAAP.

The amendments in Section C of this proposed Update are varied in nature and may affect the application of the guidance in cases in which the original guidance may have been unclear. The proposed amendments in Section C would clarify guidance so that an entity can apply the guidance more consistently. The Board anticipates that some of the proposed amendments in Section C may require transition guidance.

When Would the Amendments Be Effective and What Are the Transition Requirements?

The Board is proposing transition guidance for some amendments but not all. Some amendments in this proposed Update have transition guidance specific to each amendment. In those instances, the transition and effective date guidance is included as part of the proposed amendment. The general transition guidance for all other instances in which the Board is proposing transition guidance is located at the end of this proposed Update in paragraph 129.

The Board will consider feedback to the questions in this proposed Update about transition considerations and effective dates in its redeliberations. The Board will establish the effective date(s) of the amendments in this proposed Update before it issues a final Update.

Questions for Respondents

The Board invites individuals and organizations to comment on all matters in this proposed Update, particularly on the issues and questions below. Comments are requested from those who agree with the proposed guidance as well as from those who do not agree. Comments are most helpful if they identify and clearly explain the issue or question to which they relate. Those who disagree with the proposed guidance are asked to describe their suggested alternatives, supported by specific reasoning.

Question 1: Do you agree with the amendments to the Codification in this proposed Update? If not, please explain which proposed amendment(s) you disagree with and why.

Question 2: Would any of the proposed amendments result in substantive changes to the application of existing guidance that would require transition provisions? If so, please describe.

Question 3: Would the proposed amendment to Topic 805, Business Combinations (Issue 10), affect your assessment of liabilities assumed in a business combination?

Question 4: The proposed amendments related to Issue 37 would be effective immediately. Do you have any concerns with that and, if so, why? Can you apply the guidance on a modified retrospective basis if you already have adopted the amendments in Accounting Standards Update No. 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities*? Do you agree with the transition disclosures? If not, please explain why.

Question 5: For entities that have adopted the amendments in Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, the proposed amendments related to Issues 38 and 49 would be effective immediately. Do you have any concerns with that and, if so, why? Do you agree with the transition disclosures? If not, please explain why.

Question 6: Are there other changes that should be made that are directly or indirectly related to the proposed amendments?

Question 7: The proposed amendments would apply to public and nonpublic entities. Would any of the proposed amendments require special consideration for nonpublic entities? If so, which proposed amendment(s) would require special consideration and why?

Amendments to the *FASB Accounting Standards Codification*®

Summary of Proposed Amendments to the Accounting Standards Codification

1. The following table summarizes the proposed amendments to the Accounting Standards Codification.

Codification Topic	Paragraphs	Nature of Amendment
Master Glossary—Terms Amended: • Financial Instrument • Obligation • Readily Convertible to Cash • Transfer (Definition 2)	• 8 and 9 • 10 and 11 • 12 and 13 • 16–18	Simplification and conforming
Master Glossary—Terms Deleted: • Expected Losses and Expected Residual Returns • Transaction • Transfer (Definition 1) • Cash Balance Plan	• 4–7 • 14–15 • 16–18 • 76 and 77	Simplification and conforming
Generally Accepted Accounting Principles (Topic 105)	128 and 129	Transition Guidance
Presentation of Financial Statements (Topic 205)	44 and 45	Clarification
Income Statement—Reporting Comprehensive Income (Topic 220)	46–51	Clarification
Statement of Cash Flows (Topic 230)	19	Clarification
Accounting Changes and Error Corrections (Topic 250)	52–55	Clarification

Codification Topic	Paragraphs	Nature of Amendment
Earnings Per Share (Topic 260)	56 and 57; 80 and 81	Clarification
Interim Reporting (Topic 270)	58 and 59; 82 and 83	Improvement Clarification
Receivables (Topic 310)	84–88	Clarification
Financial Instruments—Credit Losses (Topic 326)	89–93	Clarification
Intangibles—Goodwill and Other (Topic 350)	21 and 22	Simplification
Asset Retirement and Environmental Obligations (Topic 410)	23–25	Simplification and conforming
Exit or Disposal Cost Obligations (Topic 420)	26 and 27	Simplification and conforming
Guarantees (Topic 460)	94 and 95	Conforming
Debt (Topic 470)	96 and 97	Clarification
Distinguishing Liabilities from Equity (Topic 480)	20	Simplification
Compensation—Retirement Benefits (Topic 715)	76–79	Simplification and conforming
Income Taxes (Topic 740)	98 and 99	Conforming
Business Combinations (Topic 805)	28–30	Simplification and conforming
Derivatives and Hedging (Topic 815)	14 and 15; 31 and 32	Simplification
Fair Value Measurement (Topic 820)	100–103	Clarification

Codification Topic	Paragraphs	Nature of Amendment
Financial Instruments (Topic 825)	104 and 105	Clarification
Foreign Currency Matters (Topic 830)	98 and 99; 106–111	Conforming
Interest (Topic 835)	60 and 61; 112 and 113	Clarification
Leases (Topic 840)	62 and 63	Conforming
Nonmonetary Transactions (Topic 845)	33 and 34	Simplification
Reorganizations (Topic 852)	64–67	Clarification
Transfers and Servicing (Topic 860)	35 and 36; 114 and 115	Simplification
Financial Services—Depository and Lending (Topic 942)	68 and 69; 116 and 117	Clarification
Financial Services—Investment Companies (Topic 946)	37–40; 70–73	Simplification and clarification
Health Care Entities (Topic 954)	41 and 42	Simplification
Not-for-Profit Entities (Topic 958)	118–125	Clarification and conforming
Plan Accounting—Health and Welfare Benefit Plans (Topic 965)	74 and 75	Clarification
Real Estate—General (Topic 970)	126 and 127	Clarification

Introduction

2. The Accounting Standards Codification is amended as described in paragraphs 3–129. 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~~.

Section A—Amendments to Remove References to the Concepts Statements

3. These proposed amendments would remove references to the Concepts Statements from GAAP. Many of the references are not necessary to understand or apply GAAP. In some instances, the references are to Concepts Statements that have been superseded or clarified by other Concepts Statements or by new guidance.

Amendments to Master Glossary

Issue 1

4. The Master Glossary definition for the term *expected losses and expected residual returns* refers to FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*, to clarify the meaning of the phrase *expected cash flow*. The Master Glossary term is redundant with the two individual Master Glossary terms *expected losses* and *expected residual returns*. The proposed amendment would remove the reference to Concepts Statement 7 by superseding the redundant term *expected losses and expected residual returns* and would link the Master Glossary term *expected cash flow* within the definitions of the individual terms *expected losses* and *expected residual returns*.

5. The Master Glossary defines the term *expected cash flow* as "the probability-weighted average (that is, mean of the distribution) of possible future cash flows." Concepts Statement 7 defines *expected cash flow* as "the sum of probability-weighted amounts in a range of possible estimated amounts; the estimated mean or average." While worded slightly differently, the two definitions have the same meaning. Therefore, removing the redundant term containing the reference to Concepts Statement 7 and providing a link to the Master Glossary term *expected cash flow* in Example 1 in paragraph 810-10-55-42 are not expected to alter how the definition for *expected losses and expected residual returns* is interpreted or applied.

6. Supersede the Master Glossary term *Expected Losses and Expected Residual Returns*, with no link to a transition paragraph, as follows:

~~**Expected Losses and Expected Residual Returns**~~

~~Expected losses and expected residual returns refer to amounts derived from expected cash flows as described in FASB Concepts Statement No. 7, *Using Cash*~~

~~*Flow Information and Present Value in Accounting Measurements.* However, expected losses and expected residual returns refer to amounts discounted and otherwise adjusted for market factors and assumptions rather than to undiscounted cash flow estimates. The definitions of **expected losses** and **expected residual returns** specify which amounts are to be considered in determining expected losses and expected residual returns of a variable interest entity (VIE).~~

7. Amend paragraphs 810-10-25-21, 810-10-55-17, and 810-10-55-42, with no link to a transition paragraph, as follows*:*

Consolidation—Overall

Recognition

Variable Interest Entities

> Determining the Variability to Be Considered

810-10-25-21 The variability that is considered in applying the Variable Interest Entities Subsections affects the determination of all of the following:

a. Whether the legal entity is a VIE
b. Which interests are variable interests in the legal entity
c. Which party, if any, is the **primary beneficiary** of the VIE.

That variability will affect any calculation of ~~**expected losses and expected residual returns**~~<u>**expected losses** and **expected residual returns**</u>, if such a calculation is necessary. Paragraph 810-10-25-38A provides guidance on the use of a quantitative approach associated with expected losses and expected residual returns in connection with determining which party is the primary beneficiary.

Implementation Guidance and Illustrations

Variable Interest Entities

> Implementation Guidance

> > Identifying Variable Interests

810-10-55-17 The identification of variable interests requires an economic analysis of the rights and obligations of a legal entity's assets, liabilities, equity, and other contracts. Variable interests are contractual, ownership, or other pecuniary interests in a legal entity that change with changes in the **fair value** of the legal entity's net assets exclusive of variable interests. The Variable Interest Entities Subsections use the terms ~~**expected losses and expected residual**~~

~~**returns**~~**expected losses** and **expected residual returns** to describe the **expected variability** in the fair value of a legal entity's net assets exclusive of variable interests.

> Illustrations

> > Example 1: Expected Losses, Expected Residual Returns, and Expected Variability

810-10-55-42 This Example illustrates a computation of **expected losses**, **expected residual returns**, and **expected variability** and is intended to explain the meaning of those terms. Entities will not necessarily be able to estimate probabilities to use a precise computation of the type illustrated, but they should use their best efforts to achieve the objective described. This Example is based on a hypothetical pool of financial assets with total contractual cash flows of $1 billion and has the following assumptions:

a. A single party holds all of the beneficial interests in the VIE, and the VIE has no liabilities.
b. There is no decision maker because the VIE's activities are completely predetermined.
c. All cash flows are expected to occur in one year or not to occur at all.
d. The appropriate discount rate (the interest rate on risk-free investments) is 5 percent.
e. No other factors affect the fair value of the assets. Thus, the present value of the **{add glossary link}**expected cash flows**{add glossary link}** from the pool of financial assets is assumed to be equal to the fair value of the assets.

Issue 2

8. The Master Glossary definition of the term *financial instrument* refers to FASB Concepts Statement No. 6, *Elements of Financial Statements,* to provide classification and recognition guidance for contractual rights and contractual obligations. The assertion that all contractual rights and contractual obligations meet the definition of an asset and a liability in Concepts Statement 6 is not correct. There are contractual rights and obligations that are assets or liabilities because they meet the requirements of other GAAP such as Topic 480, Distinguishing Liabilities from Equity, and Topic 718, Compensation—Stock Compensation. The intent of the paragraph in the definition is to clarify that a contractual right or obligation that is a financial instrument and meets the requirement to be classified as an asset or liability may not be recognized as such because that contractual right or obligation may fail to meet some other criterion for recognition. The proposed amendment would remove the reference to Concepts Statement 6 and clarify that contractual rights (contractual obligations) that are financial instruments

and meet the definition of assets (liabilities) under GAAP may be off balance sheet due to not meeting some other recognition criteria. The reference to Concepts Statement 6 is not essential to defining a financial instrument, and removing the reference is not expected to alter how the definition is interpreted or applied.

9. Amend the Master Glossary term *Financial Instrument*, with no link to a transition paragraph, as follows:

Financial Instrument

Cash, evidence of an ownership interest in an entity, or a contract that both:

a. Imposes on one entity a contractual obligation either:
    1. To deliver cash or another financial instrument to a second entity
    2. To exchange other financial instruments on potentially unfavorable terms with the second entity.
b. Conveys to that second entity a contractual right either:
    1. To receive cash or another financial instrument from the first entity
    2. To exchange other financial instruments on potentially favorable terms with the first entity.

The use of the term financial instrument in this definition is recursive (because the term financial instrument is included in it), though it is not circular. The definition requires a chain of contractual obligations that ends with the delivery of cash or an ownership interest in an entity. Any number of obligations to deliver financial instruments can be links in a chain that qualifies a particular contract as a financial instrument.

Contractual rights and contractual obligations encompass both those that are conditioned on the occurrence of a specified event and those that are not. ~~All contractual~~Contractual rights (contractual obligations) that are financial instruments that are assets (liabilities) in accordance with applicable GAAP~~meet the definition of asset (liability) set forth in FASB Concepts Statement No. 6, Elements of Financial Statements, although some~~ may not be recognized as assets (liabilities) in financial statements—that is, they may be off-balance-sheet—because they fail to meet some other criterion for recognition.

For some financial instruments, the right is held by or the obligation is due from (or the obligation is owed to or by) a group of entities rather than a single entity.

Issue 3

10. The Master Glossary term *obligation* is restricted to Topic 480 on distinguishing liabilities from equity. That definition also states that the definition of *obligation* used in Topic 480 is different from that used in Concepts Statement 6. The source of the restricted definition is footnote 24 to paragraph D1 of FASB Statement No. 150, *Accounting for Certain Financial Instruments with*

Characteristics of both Liabilities and Equity. Because the definition is clear in that it is restricted to items within the scope of Topic 480, it is not necessary to include a reference to any other definition of the term *obligation*, including the definition provided in Concepts Statement 6.

11. Amend the Master Glossary term *Obligation*, with no link to a transition paragraph, as follows:

Obligation

A conditional or unconditional duty or responsibility to transfer assets or to issue equity shares. This definition is applicable only for items within the scope of Topic 480 because it includes duties or responsibilities to issue equity shares. ~~Because~~ Topic 480 relates only to financial instruments and not to contracts to provide services and other types of contracts~~, but includes duties or responsibilities to issue equity shares, this definition of obligation differs from the definition found in FASB Concepts Statement No. 6, Elements of Financial Statements, and is applicable only for items in the scope of that Topic~~.

Issue 4

12. A parenthetical reference at the end of the Master Glossary definition for the term *readily convertible to cash* indicates that the definition is based on paragraph 83(a) of FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*. The source of this Master Glossary term is a footnote to paragraph 9 of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, which quoted the Concepts Statement 5 description of the two characteristics of assets that are readily convertible to cash. The reference to Concepts Statement 5 is unnecessary, and removing the reference is not expected to alter how the definition is interpreted or applied.

13. Amend the Master Glossary term *Readily Convertible to Cash*, with no link to a transition paragraph, as follows:

Readily Convertible to Cash

Assets that are readily convertible to cash have both of the following:

a. Interchangeable (fungible) units
b. Quoted prices available in an active market that can rapidly absorb the quantity held by the entity without significantly affecting the price.

~~(Based on paragraph 83(a) of FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*.)~~

Issue 5

14. The Master Glossary term *transaction* includes a parenthetical reference to Concepts Statement 6. The source of this term's definition is a paragraph in the basis for conclusions of Statement 133. The paragraph explains that the term *transaction*, as defined in Concepts Statement 6, is not an internal event. The paragraph further explains that the proposed requirement that a hedged forecasted exposure must be an external transaction to qualify for hedge accounting was ultimately not included in the final standard because that would have precluded foreign currency hedging for intercompany transactions from qualifying for hedge accounting. That definition and the parenthetical reference from the basis of conclusions of Statement 133 are not required to understand or apply the guidance in Topic 815, Derivatives and Hedging. Removing the term from the Master Glossary is not expected to alter how the guidance in Topic 815 is interpreted or applied because the scope of Topic 815 from which this definition is linked clearly identifies the types of transactions that the guidance applies to, including foreign-currency-related hedges that may be intercompany transactions.

15. Supersede the Master Glossary term *Transaction* and amend paragraph 815-20-25-13 and the pending content for paragraph 815-20-25-43, with no link to a transition paragraph, as follows:

~~**Transaction**~~

~~An external event involving transfer of something of value (future economic benefit) between two (or more) entities. (See FASB Concepts Statement No. 6, Elements of Financial Statements.)~~

Derivatives and Hedging—Hedging—General

Recognition

> Eligibility of Hedged Items and Transactions

> > Hedged Transaction Criteria Applicable to Cash Flow Hedges Only

815-20-25-13 An entity may designate a derivative instrument as hedging the exposure to variability in expected future cash flows that is attributable to a particular risk. That exposure may be associated with either of the following:

a. An existing recognized asset or liability (such as all or certain future interest payments on variable-rate debt)
b. A forecasted transaction (such as a forecasted purchase or sale).

~~Note that the glossary definition of **transaction** is intended to clearly distinguish a transaction from an internal cost allocation or an event that happens within an entity.~~

> > Items Specifically Ineligible for Designation as a Hedged Item or Transaction

Pending Content:

Transition Date: *(P) December 16, 2018; (N) December 16, 2020* | **Transition Guidance:** 815-20-65-3

815-20-25-43 Besides those hedged items and transactions that fail to meet the specified eligibility criteria, none of the following shall be designated as a hedged item or transaction in the respective hedges:

a. Subparagraph not used
b. With respect to both fair value hedges and cash flow hedges:
    1. An investment accounted for by the equity method in accordance with the requirements of Subtopic 323-10 or in accordance with the requirements of Topic 321
    2. A **noncontrolling interest** in one or more consolidated subsidiaries
    3. Transactions with stockholders as stockholders, such as either of the following:
        i. Projected purchases of treasury stock
        ii. Payments of dividends.
    4. Intra-entity transactions (except for foreign-currency-denominated forecasted intra-entity transactions) between entities included in consolidated financial statements
    5. The price of stock expected to be issued pursuant to a stock option plan for which recognized compensation expense is not based on changes in stock prices after the date of grant.
    6. Internal cost allocations.

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

Issue 6

16. Definition 1 of the Master Glossary term *transfer* indicates that the term is used in the broad sense, consistent with Concepts Statement 6, rather than in the narrow sense as in Subtopic 860-10, Transfers and Servicing—Overall. This broad definition is originally from footnote 23 of Statement 150. The purpose of the reference to Concepts Statement 6 was to clarify that Definition 1 of the term *transfer* is intended to have a general meaning rather than the specific meaning in

Subtopic 860-10, which is codified as Definition 2 of the Master Glossary term *transfer*. Definition 1, which references Concepts Statement 6, is only linked to Topic 480*.* Definition 2, the narrower definition of *transfer,* is linked only to Topic 860*.*

17. The term *transfer* is used frequently throughout the Codification without making a distinction between the broad versus narrow definition. Additionally, referencing paragraph 137 of Concepts Statement 6 does not provide a definition of the term *transfer* as used in the broad sense. To simplify the Codification, the proposed amendment would remove Definition 1 from the Master Glossary and amend Definition 2 to indicate that the definition is specific to the guidance in Topic 860 to prevent unintended references to any other definition for the term *transfer*. The proposed amendment also would require two conforming amendments to clarify the use of the term *transfer*.

18. Supersede Definition 1 and amend Definition 2 of the Master Glossary term *Transfer*, with no link to a transition paragraph, as follows:

~~Transfer (Definition 1)~~

~~The term transfer is used in a broad sense consistent with its use in FASB Concepts Statement No. 6, Elements of Financial Statements (such as in paragraph 137), rather than in the narrow sense in which it is used in Subtopic 860-10.~~

Transfer ~~(Definition 2)~~

The conveyance of a noncash financial asset by and to someone other than the issuer of that financial asset.

A transfer includes the following:

a. Selling a receivable
b. Putting a receivable into a securitization trust
c. Posting a receivable as collateral.

A transfer excludes the following:

a. The origination of a receivable
b. Settlement of a receivable
c. The restructuring of a receivable into a security in a troubled debt restructuring.

<u>This definition is specific to Topic 860.</u>

Amendments to Subtopic 230-10, Statement of Cash Flows—Overall

19. Amend the pending content for paragraph 230-10-50-4, with no link to a transition paragraph, as follows:

Statement of Cash Flows—Overall

Disclosure

> Noncash Investing and Financing Activities

Pending Content:

Transition Date: *(P) December 16, 2018; (N) December 16, 2019* | **Transition Guidance:** 842-10-65-1

230-10-50-4 Examples of noncash investing and financing transactions are converting debt to equity; acquiring assets by assuming directly related liabilities, such as purchasing a building by incurring a mortgage to the seller; obtaining a **right-of-use asset** in exchange for a **lease liability**; obtaining a beneficial interest as consideration for **{add glossary link}**transferring**{add glossary link}** financial assets (excluding cash), including the transferor's trade receivables, in a securitization transaction; obtaining a building or investment asset by receiving a gift; and exchanging noncash assets or liabilities for other noncash assets or liabilities.

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

20. Amend paragraphs 480-10-25-5, 480-10-25-9, and 480-10-55-2, with no link to a transition paragraph, as follows:

Distinguishing Liabilities from Equity—Overall

Recognition

> Mandatorily Redeemable Financial Instruments

480-10-25-5 A **financial instrument** that embodies a conditional obligation to redeem the instrument by **{remove glossary link}transferring{remove glossary link}** assets upon an event not certain to occur becomes mandatorily redeemable if that event occurs, the condition is resolved, or the event becomes certain to occur.

> Obligations to Repurchase Issuer's Equity Shares by Transferring Assets

480-10-25-9 In this Subtopic, *indexed to* is used interchangeably with *based on variations in the **fair value** of*. The phrase *requires or may require* encompasses instruments that either conditionally or unconditionally obligate the issuer to **{remove glossary link}transfer{remove glossary link}** assets. If the obligation is conditional, the number of conditions leading up to the transfer of assets is irrelevant.

Implementation Guidance and Illustrations

> Implementation Guidance

> > Monetary Value

480-10-55-2 Paragraph 480-10-05-5 explains that how the **monetary value** of a **financial instrument** varies in response to changes in market conditions depends on the nature of the arrangement, including, in part, the form of settlement. For example, for a financial instrument that embodies an **obligation** that requires:

a. Settlement either by **{remove glossary link}transfer{remove glossary link}** of $100,000 in cash or by issuance of $100,000 worth of **equity shares**, the monetary value is fixed at $100,000, even if the **share** price changes.
b. **Physical settlement** by transfer of $100,000 in cash in exchange for the issuer's equity shares, the monetary value is fixed at $100,000, even if the **fair value** of the equity shares changes.
c. **Net share settlement** by issuance of a variable number of shares based on the change in the fair value of a fixed number of the issuer's equity shares, the monetary value varies based on the number of shares required to be issued to satisfy the obligation. For example, if the exercise price of a net-share-settled written put option entitling the holder to put back 10,000 of the **issuer's equity shares** is $11, and the fair value of the issuing entity's equity shares on the exercise date decreases from $13 to $10, that change in fair value of the **issuer's** shares increases the monetary value of that obligation at settlement from $0 to $10,000 ($110,000 minus $100,000), and the option would be settled by issuance of 1,000 shares ($10,000 divided by $10).

d. **Net cash settlement** based on the change in the fair value of a fixed number of the issuer's equity shares, the monetary value varies in the same manner as in (c) for net share settlement, but the obligation is settled with cash. In a net-cash-settled variation of the previous example, the option would be settled by delivery of $10,000.
e. Settlement by issuance of a variable number of shares that is based on variations in something other than the issuer's equity shares, the monetary value varies based on changes in the price of another variable. For example, a net-share-settled obligation to deliver the number of shares equal in value at settlement to the change in fair value of 100 ounces of gold has a monetary value that varies based on the price of gold and not on the price of the issuer's equity shares.

Amendments to Subtopic 350-30, Intangibles—Goodwill and Other—General Intangibles Other Than Goodwill

Issue 7

21. Paragraph 350-30-25-4 contains a reference to asset recognition criteria in Concepts Statement 5*.* The reference does not require an entity to meet recognition criteria as part of the guidance. Instead, the reference appears in an explanation in which an intangible asset may not meet the separability or contractual-legal criterion in the definition of an identifiable asset but may be recognized as an intangible asset. The discussion in paragraph 350-30-25-4 makes specific reference to contractual-legal and separability criteria without stating where those criteria are from. The criteria referenced are from the Master Glossary term *identifiable* that is used in Topic 805, Business Combinations. The proposed amendment would remove the reference to Concepts Statement 5 and provide a more complete reference for the legal-contractual and separability criteria.

22. Amend paragraph 350-30-25-4, with no link to a transition paragraph, as follows:

Intangibles—Goodwill and Other—General Intangibles Other Than Goodwill

Recognition

350-30-25-4 Intangible assets that are acquired individually or with a group of assets in a transaction other than a business combination or an acquisition by a not-for-profit entity may <u>be recognized as an intangible asset</u>~~meet asset recognition criteria in FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*~~, even though they do not meet either the contractual-legal criterion or the separability criterion for being an **identifiable** asset (for example, specially-trained employees or a unique manufacturing process related to an acquired manufacturing plant). Such transactions commonly are bargained exchange transactions that are conducted at arm's length, which provides reliable evidence about the existence and fair value of those assets. Thus, those assets shall be recognized as intangible assets.

Amendments to Subtopic 410-20, Asset Retirement and Environmental Obligations—Asset Retirement Obligations

Issue 8

23. Paragraphs 410-20-25-1 through 25-3A provide a definition for the term *liability* that is from Concepts Statement 6. Those paragraphs are derived from paragraphs 4, 5, and 16 of FASB Statement No. 143, *Accounting for Asset Retirement Obligations.* This guidance was not formatted as clearly in the Codification as it was in the pre-Codification guidance. This proposed amendment would simplify the format of the recognition requirements of Topic 410 and remove the reference to Concepts Statement 6.

24. Additionally, paragraph 410-20-55-26 requires that the accounting for the initial recognition and measurement of liability and asset retirement cost be consistent with paragraphs 410-20-25-1 through 25-4. Because paragraphs 410-20-25-1 through 25-3A would be superseded, the link to paragraphs 410-20-25-1 through 25-4 would be amended to link to Sections 410-20-25 and 410-20-30 where the applicable recognition and initial measurement guidance is located. In addition, the guidance would be clarified to state that financial instruments that are liabilities under Topic 480 are also within the scope of Topic 420, Exit or Disposal Cost Obligations.

25. Supersede paragraphs 410-20-25-1 through 25-3A and their related heading, add paragraphs 410-20-25-4A through 25-4B and 410-20-25-5A and the related heading, and amend the heading preceding paragraph 410-20-25-4 and paragraph 410-20-55-26, with a link to transition paragraph 105-10-65-XA, as follows:

Asset Retirement and Environmental Obligations—Asset Retirement Obligations

Recognition

~~**> Background for Recognition**~~

410-20-25-1 Paragraph superseded by Accounting Standards Update No. 2019-XX.~~Paragraph 35 of FASB Concepts Statement No. 6, Elements of Financial Statements, defines a liability as follows {Note: The indented text below is reproduced from FASB Concepts Statement No. 6 and includes editorial changes for internal consistency within the Codification}.~~

> ~~Liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events.~~ **[Content moved to paragraph 410-20-25-4A]**

410-20-25-2 Paragraph superseded by Accounting Standards Update No. 2019-XX.~~Probable is used with its usual general meaning, rather than in a specific accounting or technical sense (such as that in paragraph 450-20-25-1), and refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved (Webster's New World Dictionary).~~**[Content amended and moved to paragraph 410-20-25-4A]** ~~Its inclusion in the definition is intended to acknowledge that business and other economic activities occur in an environment characterized by uncertainty in which few outcomes are certain (see paragraphs 44 through 48 of FASB Concepts Statement No. 6).~~

410-20-25-3 Paragraph superseded by Accounting Standards Update No. 2019-XX.~~As stated in the preceding paragraph, the definition of a liability in Concepts Statement 6 uses the term *probable* in a different sense than it is used in paragraph 450-20-25-1. As used in Topic 450, probable requires a high degree of expectation. The term probable in the definition of a liability, however, is intended to acknowledge that business and other economic activities occur in an environment in which few outcomes are certain.~~

410-20-25-3A Paragraph superseded by Accounting Standards Update No. 2019-XX.~~Paragraph 410-20-40-3 states that providing assurance that an entity will be able to satisfy its asset retirement obligation does not satisfy or extinguish the related liability.~~ **[Content moved to paragraph 410-20-25-5A]**

> ~~Fair Value Is Reasonably Estimated~~Determining When to Recognize a Liability

410-20-25-4 An entity shall recognize the fair value of a liability for an **asset retirement obligation** in the period in which it is incurred if a reasonable estimate of fair value can be made. If a reasonable estimate of fair value cannot be made in the period the asset retirement obligation is incurred, the liability shall be recognized when a reasonable estimate of fair value can be made. If a tangible long-lived asset with an existing asset retirement obligation is acquired, a liability for that obligation shall be recognized at the asset's acquisition date as if that obligation were incurred on that date.

410-20-25-4A A liability for the cost associated with an exit or disposal activity is incurred when the following definition is met:

> Liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. **[Content moved from paragraph 410-20-25-1]** Probable is used with its usual general meaning, rather than in a specific accounting or technical sense ~~(such as that in paragraph 450-20-25-1)~~, and refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved ~~(Webster's New World Dictionary)~~(*Webster's New World Dictionary of the American Language*, 2d college ed. [New York: Simon and Schuster 1982], p. 1132). **[Content amended as shown and moved from paragraph 410-20-25-2]** Obligations in the definition is broader than legal obligations. It is used with its usual general meaning to refer to duties imposed legally or socially; to that which one is bound to do by contract, promise, moral responsibility, and so forth (*Webster's New World Dictionary*, p. 981). It includes equitable and constructive obligations as well as legal obligations.

410-20-25-4B The guidance in this Topic includes financial instruments that are liabilities within the scope of Topic 480.

410-20-25-5 Upon initial recognition of a liability for an asset retirement obligation, an entity shall capitalize an **asset retirement cost** by increasing the carrying amount of the related long-lived asset by the same amount as the liability. Paragraph 835-20-30-5 explains that capitalized asset retirement costs do not qualify as expenditures for purposes of applying Subtopic 835-20.

410-20-25-5A Paragraph 410-20-40-3 states that providing assurance that an entity will be able to satisfy its asset retirement obligation does not satisfy or extinguish the related liability.**[Content moved from paragraph 410-20-25-3A]**

Implementation Guidance and Illustrations

> Implementation Guidance

> > Historical Waste on Electrical and Electronic Equipment Associated with EU Directive 2002/96/EC

410-20-55-26 The accounting for the initial recognition and measurement of the liability and **asset retirement cost** should be consistent with Sections 410-20-25 and 410-20-30~~paragraphs 410-20-25-1 through 25-4~~. The ability or intent of the commercial user to replace the asset and transfer the obligation does not relieve the user of its present duty or responsibility to settle the obligation. The replacement of the asset may, depending on EU-member country law, transfer the obligation to the replacement producer, and, if so, that transfer would affect the purchase price of the replacement asset. Upon initial recognition of a liability, an entity shall capitalize an asset retirement cost by increasing the carrying amount of the related asset by the same amount as the liability. The accounting subsequent to the initial recognition of the asset and liability should be consistent with the guidance in paragraphs 410-20-35-3 through 35-8.

Amendments to Subtopic 420-10, Exit or Disposal Cost Obligations—Overall

Issue 9

26. Paragraph 420-10-25-2 states that an entity must recognize a liability when a cost associated with an exit or disposal activity meets the definition of a liability in Concepts Statement 6. The reference to Concepts Statement 6 is used as recognition criteria in this guidance. In addition to the reference to the definition in Concepts Statement 6, the guidance in that paragraph elaborates and explains the meanings of specific phrases in the definition of a liability in the Concepts Statement and how they would apply to exit or disposal costs. To not alter how the guidance is applied or interpreted, the proposed amendment would add explanations of the terms *liability*, *probable,* and *obligation* to the guidance and remove the reference to Concepts Statement 6. In addition, the guidance would be clarified to state that financial instruments that are liabilities under Topic 480 also are in the scope of Topic 420.

27. Amend paragraph 420-10-25-2 and add paragraph 420-10-25-2A, with a link to transition paragraph 105-10-65-XA, as follows:

Exit or Disposal Cost Obligations—Overall

Recognition

> Determining When to Recognize a Liability

420-10-25-2 A liability for a cost associated with an exit or disposal activity is incurred when the following definition of a liability ~~included in FASB Concepts Statement No. 6, Elements of Financial Statements,~~ is ~~met.~~met:

> Liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. Probable is used with its usual general meaning, rather than in a specific

accounting or technical sense, and refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved (*Webster's New World Dictionary of the American Language*, 2d college ed. [New York: Simon and Schuster 1982], p. 1132). Its inclusion in the definition is intended to acknowledge that business and other economic activities occur in an environment characterized by uncertainty in which few outcomes are certain. Obligations in the definition is broader than *legal obligations*. It is used with its usual general meaning to refer to duties imposed legally or socially; to that which one is bound to do by contract, promise, moral responsibility, and so forth (*Webster's New World Dictionary*, p. 981). It includes equitable and constructive obligations as well as legal obligations. Only present obligations to others are liabilities under the definition. An obligation becomes a present obligation when a transaction or event occurs that leaves an entity little or no discretion to avoid the future transfer or use of assets to settle the liability. An exit or disposal plan, by itself, does not create a present obligation to others for costs expected to be incurred under the plan; thus, an entity's commitment to an exit or disposal plan, by itself, is not the requisite past transaction or event for recognition of a liability.

420-20-25-2A The guidance in this Topic includes financial instruments that are liabilities within the scope of Topic 480.

Amendments to Subtopic 805-20, Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest

Issue 10

28. Paragraph 805-20-25-2 references the definitions of an asset and a liability in Concepts Statement 6 as criteria in recognizing an asset or a liability in a business combination. The proposed amendment would replace the reference to the definitions of an asset and a liability in Concepts Statement 6 with the actual definition that is required to be used when applying Topic 805. In addition, the guidance would be clarified to state that financial instruments that are liabilities under Topic 480 also are included in the scope of Subtopic 805-20.

29. Amend paragraph 805-20-25-2, with a link to transition paragraph 105-10-65-XA, as follows:

Business Combinations—Identifiable Assets and Liabilities, and Any Noncontrolling Interest

Recognition

> Recognition Principle

> > Recognition Conditions

805-20-25-2 To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the following definitions of assets and liabilities ~~in FASB Concepts Statement No. 6, Elements of Financial Statements,~~ at the acquisition ~~date.~~date:

a. Assets are probable future economic benefits obtained or controlled by a particular entity as a result of past transactions or events. Probable is used with its usual general meaning, rather than in a specific accounting or technical sense, and refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved (*Webster's New World Dictionary of the American Language*, 2d college ed. [New York: Simon and Schuster 1982], p. 1132). Its inclusion in the definition is intended to acknowledge that business and other economic activities occur in an environment characterized by uncertainty in which few outcomes are certain.
b. Liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. Probable is used with its usual general meaning, rather than in a specific accounting or technical sense, and refers to that which can reasonably be expected or believed on the basis of available evidence or logic but is neither certain nor proved (*Webster's New World Dictionary*, p. 1132). Obligations in the definition is broader than *legal obligations*. It is used with its usual general meaning to refer to duties imposed legally or socially; to that which one is bound to do by contract, promise, moral responsibility, and so forth (*Webster's New World Dictionary*, p. 981). It includes equitable and constructive obligations as well as legal obligations. For example, costs the acquirer expects but is not obligated to incur in the future to effect its plan to exit an activity of an acquiree or to terminate the employment of or relocate an acquiree's employees are not liabilities at the acquisition date. Therefore, the acquirer does not recognize those costs as part of applying the acquisition method. Instead, the acquirer recognizes those costs in its postcombination financial statements in accordance with other applicable generally accepted accounting principles (GAAP).

30. Amend paragraph 805-20-25-17 and add paragraph 805-20-25-28C and its related heading, with no link to a transition paragraph, as follows:

> Exceptions to the Recognition Principle

805-20-25-17 Guidance is presented on all of the following exceptions to the recognition principle:

a. Assets and liabilities arising from contingencies
b. Income taxes
c. Employee benefits
d. Indemnification assets.
e. Leases.
f. Obligations that are liabilities under Topic 480.

> > Obligations

805-20-25-28C Financial instruments acquired that are within the scope of Topic 480 on distinguishing liabilities from equity shall be recognized in accordance with the guidance in that Topic.

Amendments to Subtopic 815-20, Derivatives and Hedging—Hedging—General

Issue 11

31. Paragraph 815-20-25-79(a) states that the calculation technique described earlier in the paragraph is consistent with the definition of the term *expected cash flow* in Concepts Statement 7. The term *expected cash flow* within that assertion is linked to the Master Glossary term of the same name. Although the Master Glossary definition for *expected cash flow* is worded slightly different from the definition provided in Concepts Statement 7, both definitions have the same meaning. Therefore, the reference to Concepts Statement 7 is redundant and removing it is not expected to alter how the guidance is interpreted or applied.

32. Amend paragraph 815-20-25-79, with no link to a transition paragraph, as follows:

Derivatives and Hedging—Hedging—General

Recognition

> Hedge Effectiveness

> > Hedge Effectiveness Criteria Applicable to both Fair Value Hedges and Cash Flow Hedges

815-20-25-79 An entity shall consider hedge effectiveness in two different ways—in prospective considerations and in retrospective evaluations:

a. Prospective considerations. The entity's expectation that the relationship will be highly effective over future periods in achieving offsetting changes in fair value or cash flows, which is forward looking, must be assessed on a quantitative basis at hedge inception unless one of the exceptions in paragraph 815-20-25-3(b)(2)(iv)(01) is met. Prospective assessments shall be subsequently performed whenever financial statements or earnings are reported and at least every three months. The entity shall elect at hedge inception in accordance with paragraph 815-20-25-3(b)(2)(iv)(03) whether to perform subsequent assessments on a quantitative or qualitative basis. See paragraphs 815-20-35-2A through 35-2F for additional guidance on qualitative assessments of hedge effectiveness. A quantitative assessment can be based on regression or other statistical analysis of past changes in fair values or cash flows as well as on other relevant information. The quantitative prospective assessment of hedge effectiveness shall consider all reasonably possible changes in fair value (if a fair value hedge) or in fair value or cash flows (if a cash flow hedge) of the derivative instrument and the hedged items for the period used to assess whether the requirement for expectation of highly effective offset is satisfied. The quantitative prospective assessment may not be limited only to the likely or expected changes in fair value (if a fair value hedge) or in fair value or cash flows (if a cash flow hedge) of the derivative instrument or the hedged items. Generally, the process of formulating an expectation regarding the effectiveness of a proposed hedging relationship involves a probability-weighted analysis of the possible changes in fair value (if a fair value hedge) or in fair value or cash flows (if a cash flow hedge) of the derivative instrument and the hedged items for the hedge period. Therefore, a probable future change in fair value will be more heavily weighted than a reasonably possible future change. That calculation technique is consistent with the definition of the term **expected cash flow** ~~in FASB Concepts Statement No. 7,~~ ~~*Using Cash Flow Information and Present Value in Accounting Measurements*~~.
b. Retrospective evaluations. An assessment of effectiveness may be performed on a quantitative or qualitative basis on the basis of the entity's election at hedge inception in accordance with paragraph 815-20-25-3(b)(2)(iv)(03). That assessment shall be performed whenever financial statements or earnings are reported, and at least every three months. See paragraphs 815-20-35-2 through 35-4 for further guidance. At inception of the hedge, an entity electing a dollar-offset approach to perform retrospective evaluations on a quantitative basis may choose either a period-by-period approach or a cumulative approach in designating how effectiveness of a fair value hedge or of a cash flow hedge will be assessed retrospectively under that approach, depending

on the nature of the hedge documented in accordance with paragraph 815-20-25-3. For example, an entity may decide that the cumulative approach is generally preferred, yet may wish to use the period-by-period approach in certain circumstances. See paragraphs 815-20-35-5 through 35-6 for further guidance.

Amendments to Subtopic 845-10, Nonmonetary Transactions—Overall

Issue 12

33. Paragraph 845-10-30-4(b) explains the difference between an entity-specific value and fair value. That explanation contains two references to Concepts Statement 7. The explanation is clear, and there is no need for a reference to Concepts Statement 7 to understand or apply the guidance.

34. Amend paragraph 845-10-30-4, with no link to a transition paragraph, as follows:

Nonmonetary Transactions—Overall

Initial Measurement

> Commercial Substance

845-10-30-4 A nonmonetary exchange has commercial substance if the entity's future cash flows are expected to significantly change as a result of the exchange. The entity's future cash flows are expected to significantly change if either of the following criteria is met:

a. The configuration (risk, timing, and amount) of the future cash flows of the asset(s) received differs significantly from the configuration of the future cash flows of the asset(s) transferred. The configuration of future cash flows is composed of the risk, timing, and amount of the cash flows. A change in any one of those elements would be a change in configuration.
b. The entity-specific value of the asset(s) received differs from the entity-specific value of the asset(s) transferred, and the difference is significant in relation to the fair values of the assets exchanged. An entity-specific value ~~(referred to as an entity-specific measurement in FASB Concepts Statement No. 7, Using Cash Flow Information and Present Value in Accounting Measurements)~~ is different from a fair value measurement. ~~As described in paragraph 24(b) of Concepts Statement No. 7, an~~An entity-specific value attempts to capture the value of an asset or liability in the context of a particular entity. For example, an entity computing an

entity-specific value of an asset would use its expectations about its use of that asset rather than the use assumed by marketplace participants. If it is determined that the transaction has commercial substance, the exchange would be measured at fair value, rather than at the entity-specific value.

A qualitative assessment will, in some cases, be conclusive in determining that the estimated cash flows of the entity are expected to significantly change as a result of the exchange.

Amendments to Subtopic 860-10, Transfers and Servicing—Overall

Issue 13

35. Paragraph 860-10-15-4(f) states that "distributions to owners of a business entity" are not within the scope of Subtopic 860-10. Paragraph 860-10-55-15 provides an example of a distribution to owners of a business entity and states that the example meets the definition of a *distribution by an entity to its owners* as defined in Concepts Statement 6. The general scope guidance in Section 860-10-15 includes the phrase *distributions to owners of a business entity* without referring to Concepts Statement 6. The reference to Concepts Statement 6 in paragraph 860-10-55-15 is unnecessary and is not instrumental to the intent or application of the guidance. The proposed amendment would remove the reference to Concepts Statement 6 in paragraph 860-10-55-15.

36. Amend paragraph 860-10-55-15, with no link to a transition paragraph, as follows:

Transfers and Servicing—Overall

Implementation Guidance and Illustrations

> Implementation Guidance

> > Scope

> > > Reacquisition by an Entity of Its Own Securities

860-10-55-15 A reacquisition by an entity of its own securities by exchanging noncash financial assets (for example, U.S. Treasury bonds or shares of an unconsolidated investee) for its common shares constitutes a distribution by an entity to its owners~~, as defined in FASB Concepts Statement No. 6, Elements of Financial Statements,~~ and, therefore, is excluded from the scope of this Subtopic.

Amendments to Subtopic 946-20, Financial Services—Investment Companies—Investment Company Activities

Issue 14

37. Paragraph 946-20-25-4 references Concepts Statement 6 in determining when to recognize a liability for excess expenses. The guidance requires an entity to meet the criteria in three specific paragraphs in Concepts Statement 6. The proposed amendment would include the required criteria in paragraph 946-20-25-4 and remove the reference to Concepts Statement 6.

38. Amend paragraph 946-20-25-4, with no link to a transition paragraph, as follows:

Financial Services—Investment Companies—Investment Company Activities

Recognition

> Expense Limitation Agreements

946-20-25-4 A liability for excess expenses shall be recognized if, and to the extent that, the expense limitation agreement's established terms for repayment of the excess expenses to the adviser by the fund and the attendant circumstances meet ~~the criteria in paragraphs 36(a), 36(b), and 36(c) of FASB Concepts Statement No. 6, Elements of Financial Statements, and the criteria in paragraph 450-20-25-2.~~all of the following criteria:

a. The excess expense or expenses embody a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assts at a specified or determinable date, on occurrence of a specified event, or on demand.
b. The duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice.
c. The transaction or other event obligating the entity has already happened.
d. The guidance in paragraph 450-20-25-2(a) through (b).

In most instances, a liability will not be recorded because it is not likely that excess expenses under such plans will meet those criteria before amounts are actually due to the adviser under the reimbursement agreement. If an assessment of the specific circumstances (such as an agreement to reimburse for either an unlimited period or a period substantially greater than that necessary for the fund to demonstrate its economic viability or an obligation to reimburse the servicer remains even after the cancellation of the fund's contract with the servicer) indicates that those criteria are met, a liability shall be recorded.

Amendments to Subtopic 946-720, Financial Services—Investment Companies—Other Expenses

Issue 15

39. Paragraph 946-720-25-2 states that the benefits expected from the expenditures paid by an investment adviser in connection with the distribution of shares of a fund in circumstances in which the investment adviser does not receive both 12b-1 fees and contingent deferred sales fees do not meet the definition of an asset in Concepts Statement 6. The explanation is clear, and there is no need for a reference to Concepts Statement 6 to understand or apply the guidance.

40. Amend paragraph 946-720-25-2, with no link to a transition paragraph, as follows:

Financial Services—Investment Companies—Other Expenses

Recognition

> Investment Adviser's Offering Costs When Both 12b-1 Fees and Contingent-Deferred Sales Fees Are Not Received

946-720-25-2 Benefits expected from the expenditures paid by an investment adviser in connection with the distribution of shares of a fund in circumstances in which the investment adviser does not receive both 12b-1 fees and contingent-deferred sales fees ~~do not meet the definition of an asset of the investment adviser as provided in FASB Concepts Statement No. 6, Elements of Financial Statements. Accordingly, such offering costs paid by the investment adviser~~ shall be expensed as incurred. Initial offering costs paid by an investment adviser that does not receive both 12b-1 fees and contingent-deferred sales fees are start-up costs of the investment adviser, which should be accounted for in accordance with Subtopic 720-15.

Amendments to Subtopic 954-405, Health Care Entities—Liabilities

Issue 16

41. Paragraph 954-405-25-5 refers to one of the three essential characteristics of a liability as detailed in Concepts Statement 6. That paragraph is derived from Emerging Issues Task Force (EITF) Topic No. D-89, “Accounting for Costs of Future Medicare Compliance Audits.” In Topic D-89, the FASB staff responded to an inquiry about accounting for the costs of future Medicare compliance audits by utilizing the definition of a liability in Concepts Statement 6 to analyze the fact pattern. The decision by the EITF, codified in paragraph 954-405-25-5, indicates that to create a present duty or responsibility the obligating event must have already occurred; the parenthetical reference indicates that this is the third characteristic of a liability as described in Concepts Statement 6. Therefore, the reference is akin to the reasoning behind the guidance and is more suitable for a basis for conclusions rather than GAAP. The reference is not necessary to apply the guidance. Therefore, removing the reference is not expected to alter how the guidance is interpreted or applied.

42. Amend paragraph 954-405-25-5, with no link to a transition paragraph, as follows:

Health Care Entities—Liabilities

Recognition

> Medicare Settlement Agreements

954-405-25-5 The settlement agreement represents a promise by a health care entity to perform future compliance audits and a duty or responsibility on which others are justified in relying is created by that promise. However, that promise creates a present duty or responsibility only if an obligating event has already occurred ~~(the third characteristic of a liability; see paragraph 6 of FASB Concepts Statement No. 6, Elements of Financial Statements)~~ that leaves the health care entity with little or no discretion to avoid the future transfer or use of assets. The obligating event for the costs of the future compliance audits is not entering into the agreement. Therefore, the entity shall not recognize a liability for the future Medicare compliance audits on the date the settlement is agreed to.

Section B—Amendments to Disclosure Sections of the Codification

43. A review of the Codification revealed disclosure requirements or options to present information on the face of the financial statements or as a note to financial statements that were not included in the appropriate Disclosure Sections of the Codification. The proposed amendments in Section B would amend the Codification to include those disclosure requirements or options in the appropriate Disclosure Sections. These proposed amendments would improve the Codification

by having all disclosure-related guidance available in the Disclosure Sections of the Codification.

Amendments to Subtopic 205-10, Presentation of Financial Statements—Overall

Issue 17

44. The requirement for entities to provide information in the comparative financial statements about notes to financial statements, explanations, and accountants' reports containing qualifications that appeared on the statements for the preceding years was codified in paragraph 205-10-45-4 but not in the corresponding Disclosure Section. The proposed amendment would add the disclosure-specific requirements from the other presentation guidance to the Disclosure Section of Subtopic 205-10.

45. Add paragraph 205-10-50-2, with a link to transition paragraph 105-10-65-XB, as follows:

Presentation of Financial Statements—Overall

Other Presentation Matters

> Comparative Financial Statements

205-10-45-4 Notes to financial statements, explanations, and accountants' reports containing qualifications that appeared on the statements for the preceding years shall be repeated, or at least referred to, in the comparative statements to the extent that they continue to be of significance. **[Content copied to paragraph 205-10-50-2]**

Disclosure

> Changes Affecting Comparability

205-10-50-2 Notes to financial statements, explanations, and accountants' reports containing qualifications that appeared on the statements for the preceding years shall be repeated, or at least referred to, in the comparative statements to the extent that they continue to be of significance. **[Content copied from paragraph 205-10-45-4]**

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

Issue 18

46. Paragraph 220-10-45-12 permits an entity to provide certain required income tax expense or benefit information either on the face of the financial statement in which the components with allocated tax expense benefit or expense appear or in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The proposed amendment would make a minor edit to remove the word *the* from the phrase *notes to the financial statements* and add the guidance to the Disclosure Section of Subtopic 220-10.

47. Amend paragraph 220-10-45-12 and add paragraph 220-10-50-4, with a link to transition paragraph 105-10-65-XB, as follows:

Income Statement—Reporting Comprehensive Income—Overall

Other Presentation Matters

> Presentation of Income Tax Effects

220-10-45-12 An entity shall present the amount of income tax expense or benefit allocated to each component of other comprehensive income, including **reclassification adjustments**, in the statement in which those components are presented or disclose it in the notes to ~~the~~ financial statements. Example 1 (see paragraphs 220-10-55-7 through 55-8B) illustrates the alternative formats for disclosing the tax effects related to the components of other comprehensive income. **[Content amended and copied to paragraph 220-10-50-4.]**

Disclosure

> Certain Income Tax Effects within Accumulated Other Comprehensive Income

<u>220-10-50-4</u> An entity shall present the amount of income tax expense or benefit allocated to each component of other comprehensive income, including **reclassification adjustments**, in the statement in which those components are presented or disclose it in the notes to ~~the~~ financial statements. <u>(See paragraph 220-10-45-12.)</u> Example 1 (see paragraphs 220-10-55-7 through 55-8B) illustrates the alternative formats for disclosing the tax effects related to the components of other comprehensive income. **[Content amended as shown and copied from paragraph 220-10-45-12]**

Issue 19

48. Paragraph 220-10-45-14A permits an entity to provide certain required information about the changes in the accumulated balances for components of other comprehensive income either on the face of the financial statements or in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The proposed amendment would add the guidance to the Disclosure Section of Subtopic 220-10.

49. Add paragraph 220-10-50-5, with a link to transition paragraph 105-10-65-XB, as follows:

Other Presentation Matters

> Presentation of Income Tax Effects

> > Reporting Accumulated Other Comprehensive Income

220-10-45-14A An entity shall present, either on the face of the financial statements or as a separate disclosure in the notes, the changes in the accumulated balances for each component of other comprehensive income included in that separate component of equity, as required in paragraph 220-10-45-14. In addition to the presentation of changes in accumulated balances, an entity shall present separately for each component of other comprehensive income, current period reclassifications out of accumulated other comprehensive income and other amounts of current-period other comprehensive income. Both before-tax and net-of-tax presentations are permitted provided the entity complies with the requirements in paragraph 220-10-45-12. Paragraph 220-10-55-15 illustrates the disclosure of changes in accumulated balances for components of other comprehensive income as a separate disclosure in the notes to financial statements. **[Content copied to paragraph 220-10-50-5]**

Disclosure

> Certain Income Tax Effects within Accumulated Other Comprehensive Income

<u>220-10-50-5</u> An entity shall present, either on the face of the financial statements or as a separate disclosure in the notes, the changes in the accumulated balances for each component of other comprehensive income included in that separate component of equity, as required in paragraph 220-10-45-14. In addition to the presentation of changes in accumulated balances, an entity shall present separately for each component of other comprehensive income, current period reclassifications out of accumulated other comprehensive income and other amounts of current-period other comprehensive income. Both before-tax and net-of-tax presentations are permitted provided the entity complies with the requirements in paragraph 220-10-45-12. Paragraph 220-10-55-15 illustrates the disclosure of changes in accumulated balances for components of other comprehensive income as a separate disclosure in the notes to financial statements. **[Content copied from paragraph 220-10-45-14A]**

Issue 20

50. Paragraph 220-10-45-17B permits an entity to provide required information about significant amounts reclassified out of accumulated other comprehensive income either on the face of the financial statement where net income is presented or in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The proposed amendment would move the disclosure-specific requirements from the other presentation guidance to the Disclosure Section of Subtopic 220-10 and would make conforming amendments to provide corrected references to all affected paragraphs.

51. Amend paragraphs 220-10-45-17 through 45-17A, 220-10-55-15, and 220-10-55-17E, supersede paragraph 220-10-45-17B, and add paragraph 220-10-50-6, with a link to transition paragraph 105-10-65-XB, as follows:

Other Presentation Matters

> Reclassification Adjustments

220-10-45-17 An entity shall separately provide information about the effects on net income of significant amounts reclassified out of each component of accumulated other comprehensive income if those amounts all are required under other Topics to be reclassified to net income in their entirety in the same reporting period. An entity shall provide this information together, in one location, in either of the following ways:

a. On the face of the statement where net income is presented
b. As a separate disclosure in the notes to ~~the~~ financial statements.

~~The following paragraph~~Paragraph 220-10-45-17A describes the information requirements for presentation on the face of the statements where net income is presented, and paragraph ~~220-10-45-17B~~220-10-50-6 describes the information requirements for disclosure in the notes to ~~the~~ financial statements.

220-10-45-17A If an entity chooses to present information about the effects of significant amounts reclassified out of accumulated other comprehensive income on net income, on the face of the statement where net income is presented, the entity shall present parenthetically by component of other comprehensive income the effect of significant reclassification amounts on the respective line items of net income. An entity also shall present parenthetically the aggregate tax effect of all significant reclassifications on the line item for income tax benefit or expense in the statement where net income is presented. However, if an entity chooses to use a separate line item or items in the income statement to present significant pension cost components or other postretirement benefit cost components reclassified out of accumulated other comprehensive income, it shall no longer be required to present those pension cost components or other postretirement benefit cost components parenthetically. If an entity is unable to identify the line item of net income affected by any significant amount reclassified out of accumulated other comprehensive income in a reporting period (including when all reclassifications for the period are not to net income in their entirety), the entity must follow the guidance in paragraph ~~220-10-45-17B~~220-10-50-6. Paragraph 220-10-55-17F provides an example of presentation of the effect of reclassification on the face of the statement where net income is presented.

220-10-45-17B Paragraph superseded by Accounting Standards Update No. 2019-XX.~~If an entity chooses to present information about significant amounts reclassified out of accumulated other comprehensive income in the notes to the financial statements or is required to do so by the preceding paragraph, it shall present the significant amounts by each component of accumulated other comprehensive income and provide a subtotal of each component of comprehensive income. The subtotals for each component shall agree with the requirements in paragraph 220-10-45-14A. Both before-tax and net-of-tax presentations are permitted provided the entity complies with the requirements in paragraph 220-10-45-12. For each significant reclassification amount, the entity shall identify, for those amounts that are required under other Topics to be reclassified to net income in their entirety in the same reporting period, each line item affected by the reclassification on the statement where net income is presented. For any significant reclassification for which other Topics do not require that reclassification to net income in its entirety in the same reporting period, the entity shall cross-reference to the note where additional details about the effect of the reclassifications are disclosed. Paragraph 220-10-55-17E provides an example of a note presentation in a tabular format of the effect of reclassifications out of accumulated other comprehensive income.~~ **[Content amended and moved to paragraph 220-10-50-6]**

Disclosure

> Certain Income Tax Effects within Accumulated Other Comprehensive Income

220-10-50-6 If an entity chooses to ~~present~~disclose information about significant amounts reclassified out of accumulated other comprehensive income in the notes to ~~the~~ financial statements or is required to do so by ~~the preceding~~ paragraph 220-10-45-17A, it shall ~~present~~disclose the significant amounts by each component of accumulated other comprehensive income and provide a subtotal of each component of comprehensive income. The subtotals for each component shall agree with the requirements in paragraph 220-10-45-14A. Both before-tax and net-of-tax presentations are permitted provided the entity complies with the requirements in paragraph 220-10-45-12. For each significant reclassification amount, the entity shall identify, for those amounts that are required under other Topics to be reclassified to net income in their entirety in the same reporting period, each line item affected by the reclassification on the statement where net income is presented. For any significant reclassification for which other Topics do not require that reclassification to net income in its entirety in the same reporting period, the entity shall cross-reference to the note where additional details about the effect of the reclassifications are disclosed. Paragraph 220-10-55-17E provides an example of a note presentation in a tabular format of the effect of reclassifications out of accumulated other comprehensive income. **[Content amended as shown and moved from paragraph 220-10-45-17B]**

Implementation Guidance and Illustrations

> Illustrations

> > Example 2: Presenting Accumulated Other Comprehensive Income

> > > Disclosure of Changes in Accumulated Other Comprehensive Income Balances

220-10-55-15 The following table illustrates the disclosure of changes in the balances of each component of accumulated other comprehensive income, as required by paragraph 220-10-45-14A. The amounts in this illustration correspond to the amounts in the Example in paragraph 220-10-55-17E and demonstrate the relationship between the requirements in paragraph 220-10-45-14A and the requirements in paragraph ~~220-10-45-17B~~220-10-50-6 for this entity.

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

> > > Disclosure of Amounts Reclassified Out of Accumulated Other Comprehensive Income

220-10-55-17E The following illustrates a disclosure in a tabular format of significant amounts reclassified out of each component of accumulated other comprehensive income, as required by paragraph ~~220-10-45-17B~~220-10-50-6.

The amounts used in this Example correspond to those in the Example in paragraph 220-10-55-15.

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

Amendments to Subtopic 250-10, Accounting Changes and Error Corrections—Overall

Issue 21

52. The first sentence in paragraph 250-10-45-27 provides materiality considerations when reporting a correction of an error. The second sentence provides disclosure guidance for entities to disclose separately accounting changes that are material with respect to an interim period. The disclosure guidance would be better located in the Disclosure Section. The proposed amendment would move the disclosure guidance to the Disclosure Section of Subtopic 250-10.

53. Amend paragraph 250-10-45-27 and add paragraph 250-10-50-12 and its related heading, with a link to transition paragraph 105-10-65-XB, as follows:

Accounting Changes and Error Corrections—Overall

Other Presentation Matters

> Materiality Determination for Correction of an Error

250-10-45-27 In determining materiality for the purpose of reporting the correction of an error, amounts shall be related to the estimated income for the full fiscal year and also to the effect on the trend of earnings.~~ Changes that are material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period.~~ **[Content amended and moved to paragraph 250-10-50-12]**

Disclosure

> Materiality ~~Determination~~Considerations for Correction of an Error

250-10-50-12 Changes that are a result of a correction of an error and material with respect to an interim period but not material with respect to the estimated income for the full fiscal year or to the trend of earnings shall be separately disclosed in the interim period. **[Content amended as shown and moved from paragraph 250-10-45-27]**

Issue 22

54. Paragraph 250-10-45-28 requires that an entity disclose that it has made error corrections to historical, statistical-type summaries of financial data. The disclosure requirement was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The proposed amendment would move the disclosure requirement to the Disclosure Section of Subtopic 250-10 and would provide a reference to the other requirements for error corrections to historical summaries.

55. Add paragraph 250-10-50-7A, with a link to transition paragraph 105-10-65-XB, as follows:

Other Presentation Matters

> Historical Summaries of Financial Data

250-10-45-28 It has become customary for business entities to present historical, statistical-type summaries of financial data for a number of periods—commonly 5 or 10 years. Whenever error corrections have been recorded during any of the periods included therein, the reported amounts of net income (and the components thereof), as well as other affected items, shall be appropriately restated, with disclosure in the first summary published after the adjustments.

Disclosure

> Correction of an Error in Previously Issued Financial Statements

<u>**250-10-50-7A** An entity that restates historical, statistical-type summaries of financial data for error corrections shall disclose that information in accordance with paragraph 250-10-45-28.</u>

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

Issue 23

56. An entity that chooses to disclose per-share amounts that are not required by Subtopic 260-10 must disclose those amounts in the notes to financial statements. The disclosure requirement was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The

proposed amendment would add the disclosure guidance to the Disclosure Section of Subtopic 260-10.

57. Add paragraph 260-10-50-1A, with a link to transition paragraph 105-10-65-XB, as follows:

Earnings Per Share—Overall

Other Presentation Matters

> Required EPS Presentation on the Face of the Income Statement

260-10-45-5 Per-share amounts not required to be presented by this Subtopic that an entity chooses to disclose shall be computed in accordance with this Subtopic and disclosed only in the notes to financial statements; it shall be noted whether the per-share amounts are pretax or net of tax. **[Content copied to paragraph 260-10-50-1A]**

Disclosure

<u>**260-10-50-1A**</u> Per-share amounts not required to be presented by this Subtopic that an entity chooses to disclose shall be computed in accordance with this Subtopic and disclosed only in the notes to financial statements; it shall be noted whether the per-share amounts are pretax or net of tax. **[Content copied from paragraph 260-10-45-5]**

Amendments to Subtopic 270-10, Interim Reporting—Overall

Issue 24

58. Paragraph 270-10-45-8 requires that an entity disclose information about costs and expenses incurred in an interim period that cannot be readily identified with the activities or benefits of other interim periods in the notes to financial statements. The disclosure guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The proposed amendment would add the disclosure guidance to the Disclosure Section of Subtopic 270-10.

59. Amend paragraph 270-10-45-8 and add paragraph 270-10-50-1B, with a link to transition paragraph 105-10-65-XB, as follows:

Interim Reporting—Overall

Other Presentation Matters

> Costs and Expenses

> > All Other Costs and Expenses

270-10-45-8 The objective in all cases is to achieve a fair measure of results of operations for the annual period and to present fairly the financial position at the end of the annual period. The following standards shall apply in accounting for costs and expenses other than product costs in interim periods:

a. Costs and expenses other than product costs shall be charged to income in interim periods as incurred, or be allocated among interim periods based on an estimate of time expired, benefit received or activity associated with the periods. Procedures adopted for assigning specific cost and expense items to an interim period shall be consistent with the bases followed by the entity in reporting results of operations at annual reporting dates. However, if a specific cost or expense item charged to expense for annual reporting purposes benefits more than one interim period, the cost or expense item may be allocated to those interim periods (see paragraph 270-10-45-9).
b. Some costs and expenses incurred in an interim period, however, cannot be readily identified with the activities or benefits of other interim periods and shall be charged to the interim period in which incurred. Disclosure in the notes to financial statements shall be made as to the nature and amount of such costs unless items of a comparable nature are included in both the current interim period and in the corresponding interim period of the preceding year. **[Content amended and copied to paragraph 260-10-50-1B]**
c. Arbitrary assignment of the amount of such costs to an interim period shall not be made.
d. Gains and losses that arise in any interim period similar to those that would not be deferred at year end shall not be deferred to later interim periods within the same fiscal year.

Disclosure

> Disclosure of Summarized Interim Financial Data by Publicly Traded Companies

270-10-50-1B ~~Some costs~~Costs and expenses incurred in an interim ~~period, however,~~period that cannot be readily identified with the activities or benefits of other interim periods ~~and~~ shall be charged to the interim period in which incurred. Disclosure in the notes to financial statements shall be made as to the nature and amount of such costs unless items of a comparable nature are included in both the current interim period and in the corresponding interim period of the preceding year. **[Content amended as shown and copied from paragraph 270-10-45-8(b)]**

Amendments to Subtopic 835-30, Interest—Imputation of Interest

Issue 25

60. Paragraph 835-30-45-2 requires that an entity include the face amount of a note either on the face of the financial statements or in the notes to financial statements. Similar disclosure guidance was not included in the Disclosure Section. The proposed amendment would add the disclosure requirement to a new Disclosure Section of Subtopic 835-30.

61. Amend paragraph 835-30-45-2 and add Section 835-30-50, with a link to transition paragraph 105-10-65-XB, as follows:

Interest—Imputation of Interest

Other Presentation Matters

835-30-45-2 Paragraph 835-30-45-1A provides requirements for the balance sheet presentation for the discount or premium and debt issuance costs of a note. The description of the note shall include the effective interest rate. The face amount of the note also shall be ~~disclosed~~presented in the financial statements or disclosed in the notes to ~~the~~ financial statements. **[Content amended and copied to paragraph 835-30-50-1]**

Disclosure

General

835-30-50-1 Paragraph 835-30-45-1A provides requirements for the balance sheet presentation for the discount or premium and debt issuance costs of a note. The description of the note shall include the effective interest rate. The face amount of the note also shall be ~~disclosed~~presented in the financial statements or disclosed in the notes to ~~the~~ financial statements. **[Content amended as shown and copied from paragraph 835-30-45-2]**

Amendments to Subtopic 840-30, Leases—Capital Leases

Issue 26

62. Paragraph 840-30-45-1 contains guidance for assets recorded under capital leases and the accumulated amortization to be identified in the lessee's balance sheet or in the notes. Paragraph 840-30-50-2 only contains a reference to paragraph 840-30-50-3 for this disclosure guidance.

63. Amend paragraph 840-30-50-2, with a link to transition paragraph 105-10-65-XB, as follows:

Leases—Capital Leases

Disclosure

Lessees

840-30-50-2 If the information required by ~~paragraph~~paragraphs 840-30-45-1 and 840-30-45-3 is not separately disclosed by the lessee in the financial statements, it shall be disclosed in the notes thereto.

Amendments to Subtopic 852-10, Reorganizations—Overall

Issue 27

64. Paragraph 852-10-45-13 allows an entity to provide the required operating cash receipts and payments resulting from reorganization either on the face of the financial statements or in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The proposed amendment would add the disclosure guidance to the Disclosure Section of Subtopic 852-10.

65. Amend paragraph 852-10-45-13 and add paragraph 852-10-50-6A, with a link to transition paragraph 105-10-65-XB, as follows:

Reorganizations—Overall

Other Presentation Matters

> Financial Reporting during Reorganization Proceedings

> > Statement of Cash Flows

852-10-45-13 Reorganization items shall be ~~disclosed~~presented separately within the operating, investing, and financing categories of the statement of cash flows. This presentation can be better accomplished by the use of the direct method of presenting the statement. Paragraph 230-10-45-25 lists the operating items that shall be reported separately when the direct method is used. That paragraph encourages further breakdown of those operating items if the entity considers such a breakdown meaningful and feasible. Further identification of cash flows from reorganization items should be provided to the extent feasible. For example, interest received might be segregated between estimated normal recurring interest received and interest received on cash accumulated because of the reorganization. If the indirect method is used, details of operating cash receipts and payments resulting from the reorganization shall be disclosed in a supplementary schedule or in the notes to financial statements. **[Content amended and copied to paragraph 852-10-50-6A]**

Disclosure

> Financial Reporting during Reorganization Proceedings

852-10-50-6A If the indirect method is used in the statement of cash flows, details of operating cash receipts and payments resulting from the reorganization shall be disclosed in a supplementary schedule or in the notes to financial statements. (See paragraph 852-10-45-13.) **[Content amended as shown and copied from paragraph 852-10-45-13]**

Issue 28

66. Paragraph 852-10-45-16 requires that an entity report earnings per share in conformity with Topic 260, Earnings Per Share. That paragraph also includes a requirement for an entity to disclose when it is probable that its plan for reorganization will require the issuance of common stock or common stock equivalents, thereby diluting current equity interests. The requirement for an entity to disclose the probable necessity to issue common stock or common stock equivalents during reorganization proceedings was not codified in the Disclosure Section of Subtopic 852-10. The proposed amendment would move the disclosure requirement from paragraph 852-10-45-16 to the Disclosure Section of Subtopic 852-10.

67. Amend paragraph 852-10-45-16 and add paragraph 852-10-50-6B, with a link to transition paragraph 105-10-65-XB, as follows:

Other Presentation Matters

> Financial Reporting during Reorganization Proceedings

> > EPS

852-10-45-16 Earnings per share (EPS) shall be reported, if required, in conformity with Topic 260. If it is probable that the plan for reorganization will require the issuance of common stock or common stock equivalents, thereby diluting current equity interests, that fact shall be disclosed. (See paragraph 852-10-50-6B.) **[Content amended and copied to paragraph 852-10-50-6B]**

Disclosure

> Financial Reporting during Reorganization Proceedings

852-10-50-6B If it is probable that the plan for reorganization will require the issuance of common stock or common stock equivalents, thereby diluting current equity interests, that fact shall be disclosed. **[Content amended as shown and copied from paragraph 852-10-45-16]**

Amendments to Subtopic 942-360, Financial Services—Depository and Lending—Property, Plant, and Equipment

Issue 29

68. Paragraph 942-360-45-1 requires that an entity provide certain information about premises and equipment. An entity can either provide that information on the face of financial statements or disclose it in the notes to financial statements. The option for entities to disclose premises and equipment net of accumulated depreciation and amortization in the notes to financial statements was not codified in the Disclosure Section. The proposed amendment would add the disclosure guidance to the new Disclosure Section of Subtopic 942-360.

69. Amend paragraph 942-360-45-1 and add Section 942-360-50, with a link to transition paragraph 105-10-65-XB, as follows:

Financial Services—Depository and Lending—Property, Plant, and Equipment

Other Presentation Matters

> Premises and Equipment

942-360-45-1 Premises and equipment are generally shown as a single caption on the balance sheet, net of accumulated depreciation and amortization, the amount of which shall be ~~disclosed either~~presented on the face of the balance sheet or disclosed in the notes to ~~the~~ financial statements. **[Content amended and copied to paragraph 942-360-50-1]**

Disclosure

General

942-360-50-1 Premises and equipment are generally shown as a single caption on the balance sheet, net of accumulated depreciation and amortization, the amount of which shall be ~~disclosed either~~presented on the face of the balance sheet or disclosed in the notes to ~~the~~ financial statements. **[Content amended as shown and copied from paragraph 942-360-45-1]**

Amendments to Subtopic 946-220, Financial Services—Investment Companies—Income Statement—Reporting Comprehensive Income

Issue 30

70. Paragraph 946-220-45-9 permits an entity to provide class-specific expenses for each class of fund in the statement of operations or in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The proposed amendment would add the disclosure guidance to the Disclosure Section of Subtopic 946-220.

71. Amend paragraph 946-220-45-9 and add paragraph 946-220-50-3 and its related headings, with a link to transition paragraph 105-10-65-XB, as follows:

Financial Services—Investment Companies—Income Statement—Reporting Comprehensive Income

Other Presentation Matters

> Complex Capital Structures

> > Multiple-Class Funds

946-220-45-9 Class-specific expenses shall be reported for each class of fund in the statement of operations or~~(or~~ disclosed in the notes to financial statements~~statements)~~. Reporting the amount of fund-level expenses allocated to each class is not required but disclosure of fund-level expenses by class in the statement of operations or in notes to financial statements is permitted. **[Content amended and copied to paragraph 946-220-50-3]**

Disclosure

> Complex Capital Structures

> > Multiple-Class Funds

946-220-50-3 Class-specific expenses shall be reported for each class of fund in the statement of operations or~~(or~~ disclosed in the notes to financial ~~statements)~~statements as required by paragraph 946-220-45-9. Reporting the amount of fund-level expenses allocated to each class is not required but disclosure of fund-level expenses by class in the statement of operations or in notes to financial statements is permitted. **[Content amended as shown and copied from paragraph 946-220-45-9]**

Issue 31

72. Paragraph 946-220-45-14 (a) prohibits an investor fund from reflecting any operating expenses if the investee funds have agreed to assume certain of the investor fund expenses and (b) requires that the investor fund disclose such agreements in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The proposed amendment would add the disclosure requirement to the Disclosure Section of Subtopic 946-220.

73. Amend paragraph 946-220-45-14 and add paragraph 946-220-50-4 and its related heading, with a link to transition paragraph 105-10-65-XB, as follows:

Other Presentation Matters

> Complex Capital Structures

> > Fund of Funds

946-220-45-14 The investor fund shall not reflect any operating expenses if the investee funds have agreed to assume certain of the investor fund expenses. To the extent the investor fund has such agreements, they shall be disclosed in the notes to financial statements. **[Content amended and copied to paragraph 946-220-50-4]**

Disclosure

> > Fund of Funds

946-220-50-4 In accordance with paragraph 946-220-45-14, the~~The~~ investor fund shall not reflect any operating expenses if the investee funds have agreed to assume certain of the investor fund expenses. To the extent the investor fund has such agreements, they shall be disclosed in the notes to financial statements. **[Content amended as shown and copied from paragraph 946-220-45-14]**

Amendments to Subtopic 965-205, Plan Accounting—Health and Welfare Benefit Plans—Presentation of Financial Statements

Issue 32

74. Paragraph 965-205-45-2 permits an entity to present information about benefit obligations either in a separate statement combined with other information on another financial statement or disclosed in the notes to financial statements. The guidance was codified in the Other Presentation Matters Section with no corresponding guidance in the Disclosure Section. The proposed amendment would add the disclosure guidance to the Disclosure Section of Subtopic 965-205.

75. Add paragraph 965-205-50-6 and its related heading, with a link to transition paragraph 105-10-65-XB, as follows:

Plan Accounting—Health and Welfare Benefit Plans—Presentation of Financial Statements

Other Presentation Matters

> Defined Benefit Health and Welfare Plans

965-205-45-2 Information about the benefit obligations shall be presented in a separate statement, combined with other information on another financial statement, or disclosed in the notes to financial statements. Regardless of the format selected, the plan financial statements shall present the benefit obligations information in its entirety in the same location. The information shall be presented in such reasonable detail as is necessary to identify the nature and classification of the obligations. See Examples 1 through 3 (paragraphs 965-205-55-2 through 55-7 for illustrative financial statements of **health and welfare benefit plans**. **[Content amended and copied to paragraph 965-205-50-6]**

Disclosure

> Defined Benefit Health and Welfare Plans

965-205-50-6 Information about the benefit obligations shall be presented in a separate statement, combined with other information on another financial statement, or disclosed in the notes to financial statements. Regardless of the format selected, the plan financial statements shall present the benefit obligations information in its entirety in the same location. The information shall be presented in such reasonable detail as is necessary to identify the nature and classification of the obligations. See Examples 1 through 3 (paragraphs 965-205-55-2 through ~~55-7~~55-7) for illustrative financial statements of **health and welfare benefit plans**. **[Content amended as shown and copied from paragraph 965-205-45-2]**

Section C—Other Codification Improvements

Amendments to Master Glossary

Issue 33

76. The Master Glossary term *cash balance plan* contains a listing of characteristics that came from a fact pattern considered by the EITF that was specific to plans with a fixed interest-crediting rate. In practice, cash balance plans can have variable interest-crediting rates as acknowledged in EITF Issue No. 03-4, "Determining the Classification and Benefit Attribution Method for a 'Cash Balance' Pension Plan." The proposed amendment would remove the fact pattern from the Master Glossary definition and move it to implementation guidance in the Implementation Guidance and Illustrations Section of Subtopic 715-30, Compensation—Retirement Benefits—Defined Benefit Plans—Pension. The more general descriptions of cash balance plans and recognition guidance would be moved to Section 715-20-25. The Master Glossary term would be removed. Cash balance plans are defined by other regulatory entities, such as the Internal Revenue Service (IRS) and the U.S. Department of Labor. The removal of the definition from the Codification's Master Glossary would prevent any future conflicts that could arise between the Codification definition and any definition that may be decided upon by other regulatory entities.

77. Supersede the Master Glossary term *Cash Balance Plan*, with no link to a transition paragraph, as follows:

~~Cash Balance Plan~~

~~A plan with the following characteristics:~~

a. ~~A defined principal-crediting rate as a percentage of salary~~
b. ~~A defined, noncontingent interest-crediting rate that entitles participants to future interest credits at a stated, fixed rate until retirement.~~ **[Content amended and moved to paragraph 715-30-55-127A]**

~~A cash balance plan communicates to employees a pension benefit in the form of a current account balance that is a function of current and past salary-based principal credits and future interest credits thereon at a stated rate based on those principal credits.~~ **[Content amended and moved to paragraph 715-20-25-2]**

~~In a cash balance plan, individual account balances are determined by reference to a hypothetical account rather than specific assets, and the benefit is dependent on the employer's promised interest-crediting rate, not the actual return on plan assets. The employer's financial obligation to the plan is not satisfied by making prescribed principal and interest credit contributions—whether in cash or as a hypothetical contribution to participants' accounts—for the period; rather, the employer must fund, over time, amounts that can accumulate to the actuarial present value of the benefit due at the time of distribution to each participant pursuant to the plan's terms. The employer's contributions to a cash balance plan trust and the earnings on the invested plan assets may be unrelated to the principal and interest credits to participants' hypothetical accounts.~~ **[Content moved to paragraph 715-20-25-3]**

~~A cash balance plan is a defined benefit plan.~~ **[Content moved to paragraph 715-20-25-1]**

78. Add Section 715-20-25, with no link to a transition paragraph, as follows:

Compensation—Retirement Benefits—Defined Benefit Plans—General

<u>Recognition</u>

<u>General</u>

<u>> Cash Balance Plans</u>

<u>715-20-25-1</u> A cash balance plan is a defined benefit plan. **[Content moved from Master Glossary term *Cash Balance Plan*]**

<u>715-20-25-2</u> A cash balance plan communicates to employees a pension benefit in the form of a current account balance that is ~~a function of current and past salary-based~~<u>based on</u> principal credits and future interest credits ~~thereon at a stated rate~~ based on those principal credits. **[Content amended as shown and moved from Master Glossary term *Cash Balance Plan*]**

<u>715-20-25-3</u> In a cash balance plan, individual account balances are determined by reference to a hypothetical account rather than specific assets, and the benefit is dependent on the employer's promised interest-crediting rate, not the actual return on plan assets. The employer's financial obligation to the plan is not satisfied by making prescribed principal and interest credit contributions—whether in cash or as a hypothetical contribution to participants' accounts—for the period; rather, the employer must fund, over time, amounts that can accumulate to the actuarial present value of the benefit due at the time of distribution to each participant pursuant to the plan's terms. The employer's contributions to a cash balance plan trust and the earnings on the invested plan assets may be unrelated to the principal and interest credits to participants' hypothetical accounts. **[Content moved from Master Glossary term *Cash Balance Plan*]**

<u>715-20-25-4</u> The determination of whether a plan is pay-related and the appropriate benefit attribution approach for a cash balance plan with other characteristics or for other types of defined benefit pension plans depend on an evaluation of the specific features of those benefit arrangements. **[Content moved from paragraph 715-30-35-72]** <u>See paragraphs 715-30-35-36 through 35-39, 715-30-55-7 through 55-15, and 715-30-55-127A (Example 8) for guidance on attribution approaches.</u>

79. Amend paragraph 715-30-15-3, supersede paragraphs 715-30-35-71 through 35-72 and their related heading, and add paragraph 715-30-55-127A and its related heading, with no link to a transition paragraph, as follows:

Compensation—Retirement Benefits—Defined Benefit Plans—Pension

Scope and Scope Exceptions

> Transactions

715-30-15-3 The guidance in this Subtopic applies to **defined benefit pension plans**, including but not limited to the following types of arrangements:

a. **{remove glossary link}Cash balance plans{remove glossary link}**

b. **Benefits** provided in the event of a voluntary or involuntary severance of employment (also called **termination indemnities**) if such an arrangement is in substance a pension plan (for example, if the benefits are paid for virtually all terminations).

Subsequent Measurement

~~**> Cash Balance Plans**~~

715-30-35-71 Paragraph superseded by Accounting Standards Update No. 2019-XX.~~The benefit promise in a cash balance arrangement for a **cash balance plan** as described in the definition of the term, is not pay-related, and use of a projected unit credit method is neither required nor appropriate for purposes of measuring the benefit obligation and annual cost of benefits earned under this Subtopic. The appropriate cost attribution approach, therefore, is the traditional unit credit method. See paragraphs 715-30-35-36 through 35-39 and 715-30-55-7 through 55-15 for guidance on attribution approaches.~~ **[Content amended and moved to paragraph 715-30-55-127A]**

715-30-35-72 Paragraph superseded by Accounting Standards Update No. 2019-XX.~~The determination of whether a plan is pay-related and the appropriate benefit attribution approach for a cash balance plan with other characteristics or for other types of defined benefit pension plans depend on an evaluation of the specific features of those benefit arrangements.~~ **[Content moved to paragraph 715-20-25-4]**

Implementation Guidance and Illustrations

> Illustrations

> > Example 8: Cash Balance Plan

715-30-55-127A ~~A plan with~~For the purposes of this Example, a cash balance plan has the following characteristics:

a. A defined principal-crediting rate as a percentage of salary
b. A defined, noncontingent interest-crediting rate that entitles participants to future interest credits at a stated, fixed rate until retirement. **[Content amended as shown and moved from Master Glossary term *Cash Balance Plan*]**

The benefit promise in a cash balance arrangement for a **{remove glossary link}cash balance plan{remove glossary link}** as described in ~~the definition of the term,~~(a) through (b) is not pay-related, and use of a projected unit credit method is neither required nor appropriate for purposes of measuring the benefit obligation and annual cost of benefits earned under this Subtopic. The appropriate cost attribution approach, therefore, is the traditional unit credit method. See paragraphs 715-30-35-36 through 35-39 and 715-30-55-7 through 55-15 for guidance on attribution approaches. **[Content amended as shown and moved from paragraph 715-30-35-71]**

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

Issue 34

80. The amendments in Accounting Standards Update No. 2015-01, *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items,* removed the concept of extraordinary items. The table in paragraph 260-10-55-56 has a line item that includes a calculation of an extraordinary item. The proposed amendment would remove that reference and adjust the diluted earnings per share numbers in the third quarter and full year and amend the related footnotes.

81. Amend paragraph 260-10-55-56, with no link to a transition paragraph, as follows:

Earnings Per Share—Overall

Implementation Guidance and Illustrations

> Illustrations

> > Example 3: Contingently Issuable Shares

260-10-55-55 The following table illustrates the quarterly and annual calculation of basic and diluted EPS.

260-10-55-56

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Basic EPS Computation					
Numerator	$ 400,000	$ 200,000	$ (150,000)	$ 250,000	$ 700,000
Denominator:					
Common shares outstanding	100,000	100,000	100,000	100,000	100,000
Retail site contingency	0	667 (a)	1,333 (b)	2,000	1,000 (c)
Earnings contingency (d)	0	0	0	0	0
Total shares	100,000	100,667	101,333	102,000	101,000
Basic EPS	$ 4.00	$ 1.99	$ (1.48)	$ 2.45	$ 6.93

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Diluted EPS Computation					
Numerator	$ 400,000	$ 200,000	$ (150,000)	$ 250,000	$ 700,000
Denominator:					
Common shares outstanding	100,000	100,000	100,000	100,000	100,000
Retail site contingency	0	1,000	0 ~~2,000~~	2,000	750 ~~1,250~~ (e)
Earnings contingency	0 (f)	5,000 (g)	0 (h)	10,000 (i)	3,750 (j)
Total shares	100,000	106,000	100,000 ~~102,000~~	112,000	104,500 ~~105,000~~
Diluted EPS	$ 4.00	$ 1.89	$ (1.50) ~~(1.47)~~ (k)	$ 2.23	$ (6.69) ~~6.67~~

(a) 1,000 shares × ⅔

(b) 1,000 shares + (1,000 shares × ⅓)

(c) (1,000 shares × 8/12) + (1,000 shares × 4/12)

(d) The earnings contingency has no effect on basic EPS because it is not certain that the condition is satisfied until the end of the contingency period (see paragraphs 260-10-45-50 through 45-57). The effect is negligible for the fourth-quarter and full-year computations because it is not certain that the condition is met until the last day of the period.

(e) (0 + 1,000 + ~~2,000~~0 + 2,000) ÷ 4

(f) Entity A did not have $500,000 year-to-date, after-tax net income at March 31, 20X1. Projecting future earnings levels and including the related contingent shares are not permitted by this Subtopic.

(g) [($600,000 – $500,000) ÷ $100] × 5 shares

(h) Year-to-date, after-tax net income was less than $500,000.

(i) [($700,000 – $500,000) ÷ $100] × 5 shares

(j) (0 + 5,000 + 0 + 10,000) ÷ 4

(k) ~~Loss during the third quarter is due to an extraordinary item; therefore, antidilution rules (see paragraph 260-10-45-17) do not apply.~~The retail site contingency has no effect on diluted EPS because of the antidilution rules (see paragraph 260-10-45-17).

Amendments to Subtopic 270-10, Interim Reporting—Overall

Issue 35

82. Paragraph 21 of APB Opinion No. 28, *Interim Financial Reporting*, was codified in paragraphs 270-10-45-11A and 270-10-50-5. Paragraph 270-10-45-11A discusses the effects of disposals of a component of an entity, and paragraph 270-10-50-5 discusses unusual or infrequent items. The heading preceding paragraph 270-10-50-5 states "Unusual or Infrequent Items and Disposals of Components," but paragraph 270-10-50-5 does not address disposals of

components. The proposed amendment would remove the phrase *disposals of components* from the heading preceding paragraph 270-10-50-5.

83. Amend the heading preceding paragraph 270-10-50-5, with no link to a transition paragraph, as follows:

Interim Reporting—Overall

Disclosure

> Unusual or Infrequent Items ~~and Disposals of Components~~

270-10-50-5 Matters such as unusual seasonal results, business combinations, and **acquisitions by not-for-profit entities** shall be disclosed to provide information needed for a proper understanding of interim financial reports.

Amendments to Subtopic 310-10, Receivables—Overall

Issue 36

84. Guidance for transfers of financial assets is provided in Subtopic 860-20, Transfers and Servicing—Sales of Financial Assets, but not exclusively. As currently written, paragraph 310-10-60-5 implies that all guidance on transfers of financial assets resides in Subtopic 860-20. The proposed amendment would retain the reference to Subtopic 860-20 for further guidance on transfers of financial assets and remove the word *all* from the reference for clarity.

85. Amend paragraph 310-10-60-5, with no link to a transition paragraph, as follows:

Receivables—Overall

Relationships

> Transfers and Servicing

310-10-60-5 For guidance on accounting for transfers of ~~all~~ financial assets, including receivables, see Subtopic 860-20.

Amendments to Subtopic 310-20, Receivables—Nonrefundable Fees and Other Costs

86. In March 2017, the Board issued Accounting Standards Update No. 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities,* which shortened the amortization period for certain purchased callable debt securities held at a premium by requiring that entities amortize the premium associated with those callable debt securities to the earliest call date.

87. The Board noted in paragraph BC21 of Update 2017-08 that if the security contained additional future call dates, an entity should consider whether the amortized cost basis exceeded the amount repayable by the issuer at the next call date. If so, the excess should be amortized to the next call date. The proposed amendments would clarify the Board's intent that an entity should reevaluate whether a callable debt security that has multiple call dates is within the scope of paragraph 310-20-35-33 at each reporting period.

88. Amend paragraph 310-20-35-33, with a link to transition paragraph 310-20-65-X, and add paragraph 310-20-65-X and its related heading, as follows:

Receivables—Nonrefundable Fees and Other Costs

Subsequent Measurement

> Estimating Principal Prepayments

310-20-35-33 ~~To~~At each reporting period, to the extent that the amortized cost basis of an individual callable **debt security** exceeds the amount repayable by the issuer at the next earliest call date, the excess (that is, the premium) shall be amortized to the next earliest call date, unless the guidance in paragraph 310-20-35-26 is applied to consider estimated prepayments. After the next earliest call date, if the call option is not exercised, the entity shall reset the effective yield using the payment terms of the debt security. Securities within the scope of this paragraph are those that have explicit, noncontingent call features that are callable at fixed prices and on preset dates.

Transition and Open Effective Date Information

> Transition Related to Accounting Standards Update No. 2019-XX, *Codification Improvements*

310-20-65-X The following represents the transition and effective date information related to Accounting Standards Update No. 2019-XX, *Codification Improvements:*

a. An entity that has not yet adopted the pending content that links to paragraph 310-20-65-1 shall apply the pending content that links to this paragraph when it first applies the pending content that links to paragraph 310-20-65-1.
b. For entities that have adopted the pending content that links to paragraph 310-20-65-1, the pending content that links to this paragraph shall be effective upon issuance of a final Accounting Standards Update.
c. For entities that have adopted the pending content that links to paragraph 310-20-65-1, the pending content that links to this paragraph shall be applied on a modified retrospective basis, with a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption.
d. An entity that applies the pending content that links to this paragraph shall disclose the following in the interim and annual periods of the year of adoption:
    1. The nature of the change in accounting principle, including an explanation of the newly adopted accounting principle.
    2. The method of applying the change.
    3. The effect of the adoption on any line item in the statement of financial position, if material, as of the beginning of the first period for which the pending content that links to this paragraph is applied. Presentation of the effect on financial statement subtotals is not required.
    4. The cumulative effect of the change on retained earnings or other components of equity in the statement of financial position as of the beginning of the first period for which the pending content that links to this paragraph is applied.

    An entity that issues interim financial statements shall provide the disclosures in (1) through (4) in each interim financial statement of the fiscal year of change and the annual financial statement of the fiscal year of change.

Amendments to Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost

Issue 38

89. Subtopic 326-20 requires an entity to estimate expected credit losses over the contractual term of the financial asset(s), including specifying certain requirements that shorten the contractual term or extend the contractual term if certain conditions are met.

90. However, for purposes of lease accounting under Topic 842, Leases, when a lessor has an option to extend (or not terminate) the lease, the period of time beyond those option exercise dates would be considered in determining the lease term. When a lessee has the option to extend (or not terminate) a lease, that additional period of time would be considered only if it was reasonably certain that the lessee will exercise the option to extend (or not terminate the lease).

91. Therefore, the lease term and the contractual term potentially could be different under Topic 842 and Topic 326, respectively. The proposed amendments would align the contractual term to measure expected credit losses for a net investment in a lease under Topic 326 to be consistent with the lease term determined under Topic 842.

92. Add the Master Glossary term *Lease Term* to Subtopic 326-20 as follows:

Lease Term

The noncancellable period for which a **lessee** has the right to use an **underlying asset**, together with all of the following:

a. Periods covered by an option to extend the **lease** if the lessee is reasonably certain to exercise that option
b. Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option
c. Periods covered by an option to extend (or not to terminate) the lease in which exercise of the option is controlled by the **lessor**.

93. Add paragraph 326-20-30-6A and amend paragraph 326-20-55-8, with a link to transition paragraph 326-10-65-4, as follows:

Financial Instruments—Credit Losses—Measured at Amortized Cost

Initial Measurement

> Developing an Estimate of Expected Credit Losses

<u>**326-20-30-6A** For net investments in leases recognized by a lessor in accordance with Topic 842, instead of applying the guidance in paragraph 326-20-30-6, an entity shall use the **lease term** as the contractual term.</u>

Implementation Guidance and Illustrations

> Implementation Guidance

> > Net Investment in Leases

326-20-55-8 This Subtopic requires that an entity recognize an allowance for credit losses on net investment in leases recognized by a lessor in accordance with Topic 842 on leases. An entity should include the unguaranteed residual asset with the lease receivable, net of any deferred selling profit, if applicable (that is, the net investment in the lease). When measuring expected credit losses on net investment in leases, the **lease term** should be used as the contractual term. When measuring expected credit losses on net investment in leases using a discounted cash flow method, the discount rate used in measuring the lease receivable under Topic 842 should be used in place of the **effective interest rate**.

Amendments to Subtopic 460-10, Guarantees—Overall

Issue 39

94. The exceptions to the disclosure requirements in paragraphs 460-10-50-2 through 50-4 should apply to all the items listed in paragraph 460-10-15-7; they are not restricted to paragraph 460-10-15-7(a). The list of types of guarantees excluded from the scope of Topic 460, including from disclosure, was included in paragraph 6 of FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, and was transposed to paragraph 460-10-15-7.

95. Amend paragraph 460-10-50-1, with a link to transition paragraph 105-10-65-XA, as follows:

Guarantees—Overall

Disclosure

> Information about Each Guarantee or Group of Similar Guarantees

> > Loss Contingencies

460-10-50-1 The requirements in paragraphs 460-10-50-2 through 50-4 apply to guarantees, including guarantees that are outside the scope of paragraph 460-10-15-4; however, they do not apply to guarantees described in paragraph ~~460-10-15-7(a)~~460-10-15-7.

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

Issue 40

96. The proposed amendment would clarify that paragraph 470-50-40-18, which describes the accounting for third-party costs directly related to exchanges or modifications of debt instruments, references paragraph 470-50-40-21 for the accounting for modifications to or exchanges of line-of-credit or revolving-debt arrangements.

97. Amend paragraph 470-50-40-18, with no link to a transition paragraph, as follows:

Debt—Modifications and Extinguishments

Derecognition

> Third-Party Costs of Exchange or Modification

470-50-40-18 Costs incurred with third parties directly related to the exchange or modification (such as legal fees) shall be accounted for as follows:

a. If the exchange or modification is to be accounted for in the same manner as a debt extinguishment and the new debt instrument is initially recorded at fair value, then the costs shall be associated with the new debt instrument and amortized over the term of the new debt instrument using the interest method in a manner similar to debt issue costs.
b. If the exchange or modification is not to be accounted for in the same manner as a debt extinguishment, then the costs shall be expensed as incurred.

<u>For third-party costs of exchange or modifications related to line-of-credit or revolving-debt arrangements, see paragraph 470-50-40-21.</u>

Amendments to Subtopic 740-10, Income Taxes—Overall

Issue 41

98. The term *interperiod tax allocation* was defined in APB Opinion No. 11, *Accounting for Income Taxes,* as the process of apportioning income taxes among periods. In Opinion 11, the Board concluded that interperiod tax allocation procedures should follow the *deferred method* (paragraph 19 in Opinion 11), both in the manner in which tax effects are initially recognized and in the manner in which deferred taxes are amortized in future periods. FASB Statement No. 109, *Accounting for Income Taxes,* superseded Opinion 11 in its entirety. On the basis of Board decisions made in connection with Statement 109, the deferred method is no longer applied by entities and is no longer the overall comprehensive model for accounting for income taxes. Statement 109, which is codified in Topic 740, Income Taxes, requires the asset and liability approach in accounting for income

taxes. The asset and liability approach in Topic 740 should be applied to involuntary conversions of a nonmonetary asset to a monetary asset. The proposed amendments would replace the term *interperiod tax allocation* with the phrase *deferred tax liability and deferred tax asset approach*.

99. Amend paragraphs 740-10-55-66 and 830-20-05-3, with no link to a transition paragraph, as follows:

Income Taxes—Overall

Implementation Guidance and Illustrations

> Implementation Guidance

> > Application of Accounting Requirements for Income Taxes to Specific Situations

> > > Examples of Temporary Differences

> > > > Unrecognized Gains or Losses from Involuntary Conversions

740-10-55-66 Gain or loss resulting from an involuntary conversion of a nonmonetary asset to monetary assets that is not recognized for income tax reporting purposes in the same period in which the gain or loss is recognized for financial reporting purposes is a temporary difference for which the deferred tax liability and deferred tax asset approach~~comprehensive interperiod tax allocation~~, as required by this Subtopic, is required.

Amendments to Subtopic 830-20, Foreign Currency Matters—Foreign Currency Transactions

Foreign Currency Matters—Foreign Currency Transactions

Overview and Background

830-20-05-3 If taxable exchange gains or tax-deductible exchange losses resulting from an entity's foreign currency transactions are included in net income in a different period for financial statement purposes from that for tax purposes, the deferred tax liability and deferred tax asset approach~~interperiod tax allocation~~ is required under Topic 740~~Subtopic 740-10~~.

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

Issue 42

100. The proposed amendments would clarify the applicability of the portfolio exception in Subtopic 820-10 to nonfinancial items accounting for as derivatives under Topic 815, Derivatives and Hedging.

101. Amend paragraphs 820-10-35-2A and 820-10-35-18L, with no link to a transition paragraph, as follows:

Fair Value Measurement—Overall

Subsequent Measurement

> Definition of Fair Value

820-10-35-2A The remainder of this guidance is organized as follows:

a. The asset or liability
b. The transaction
c. Market participants
d. The price
e. Application to nonfinancial assets
f. Application to liabilities and instruments classified in a reporting entity's shareholders' equity
g. Application to financial assets,~~assets and~~ financial liabilities, and nonfinancial items accounted for as derivatives under Topic 815 with offsetting positions in **market risks** or counterparty credit risk.

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

> > > 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, financial liabilities, nonfinancial 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 43

102. The proposed amendment would clarify that the disclosure requirements in paragraph 820-10-50-2 do not apply to entities using the net asset value per share (or its equivalent) practical expedient.

103. Amend paragraph 820-10-50-2, with no link to a transition paragraph, as follows:

Disclosure

820-10-50-2 A reporting entity shall disclose 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:~~<u>recognition. These disclosure requirements shall not apply to an investment within the scope of paragraphs 820-10-15-4 through 15-5 for which fair value is measured using net asset value per share (or its equivalent, for example, member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed) as a practical expedient, as described in paragraph 820-10-35-59.</u>

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

Amendments to Subtopic 825-10, Financial Instruments—Overall

Issue 44

104. The proposed amendment would clarify that nonpublic business entities are subject to the fair value option disclosures in paragraphs 825-10-50-24 through 50-32.

105. Amend paragraph 825-10-50-2A, with no link to a transition paragraph, as follows:

Financial Instruments—Overall

Disclosure

> Applicability of This Subsection

> > **Entities**

825-10-50-2A The disclosure guidance in this Subsection applies to **public business entities**, except for the disclosure guidance in paragraphs 825-10-50-20 through 50-32~~50-23~~, which applies to all entities. For interim reporting periods, the disclosure guidance in paragraphs 825-10-50-20 through 50-23 is optional for those entities that do not meet the definition of a public business entity.

Amendments to Subtopic 830-20, Foreign Currency Matters—Foreign Currency Transactions

Issue 45

106. Paragraph 830-20-50-1 refers to paragraph 830-20-45-2 in error for presentation guidance on the aggregate transaction gain or loss included in determining net income. This proposed amendment would correct the reference to paragraph 830-20-45-1 and would clarify the language between disclosures and presentation guidance in paragraphs 830-20-45-1 and 830-20-50-1.

107. Amend paragraphs 830-20-45-1 and 830-20-50-1, with no link to a transition paragraph, as follows:

Foreign Currency Matters—Foreign Currency Transactions

Other Presentation Matters

> **Income Statement Presentation**

> > **Aggregate Transaction Gain or Loss**

830-20-45-1 The aggregate **transaction gain or loss** included in determining net income for the period shall be presented~~disclosed~~ in the financial statements or disclosed in the notes thereto.

Disclosure

> **Aggregate Transaction Gain or Loss**

830-20-50-1 If not presented~~disclosed~~ in the financial statements as discussed in paragraph 830-20-45-1~~830-20-45-2~~, the aggregate **transaction gain or loss**

included in determining net income for the period shall be disclosed in notes to financial statements.

Amendments to Subtopic 830-740, Foreign Currency Matters—Income Taxes

Issue 46

108. Paragraph 830-740-25-2 references Subtopic 830-30, Foreign Currency Matters—Translation of Financial Statements. The original reference was to EITF Issue No. 92-4, “Accounting for a Change in Functional Currency When an Economy Ceases to Be Considered Highly Inflationary,” and this guidance resides in Subtopic 830-10, Foreign Currency Matters—Overall. This proposed amendment would correct the reference to Subtopic 830-10.

109. Amend paragraph 830-740-25-2, with no link to a transition paragraph, as follows:

Foreign Currency Matters—Income Taxes

Recognition

> Remeasurement Changes Causing Deferred Tax Recognition

> > Functional Currency Related Changes

830-740-25-2 Subtopic 830-10~~830-30~~ requires that a change in functional currency from the **reporting currency** to the **local currency** when an economy ceases to be considered highly inflationary shall be accounted for by establishing new functional currency bases for nonmonetary items. Those bases are computed by translating the historical reporting currency amounts of nonmonetary items into the local currency at current exchange rates.

Issue 47

110. Paragraphs 830-740-25-4 through 25-8 fall under the heading “Price-Level Related Changes.” However, the content within those paragraphs originated from two separate EITF Issues—Issue No. 93-9, “Application of FASB Statement No. 109 in Foreign Financial Statements Restated for General Price-Level Changes,” and Issue No. 93-16, “Application of FASB Statement No. 109 to Basis Differences within Foreign Subsidiaries That Meet the Indefinite Reversal Criterion of APB Opinion No 23.” Issue 93-9 relates to foreign financial statements restated for general price level changes. Issue 93-16 relates to basis differences within foreign

subsidiaries that meet the indefinite reversal criterion. The contents of paragraphs 830-740-25-4 through 25-5 relate to the heading “General Price Level Changes,” but the contents of paragraphs 830-740-25-6 through 25-8 do not. Instead, the contents of paragraphs 830-740-25-6 through 25-8 relate to the issue of whether to record deferred taxes as they relate to a foreign subsidiary that qualifies for the indefinite reversal criterion. In addition, none of the guidance in paragraphs 830-740-25-4 through 25-8 relates to remeasurements, which is a first-level (>) heading for the Section. The proposed amendments would change the heading level above paragraph 830-740-25-4 to a first-level heading and would add a new first-level heading above paragraph 830-740-25-6 for clarification.

111. Amend the heading preceding paragraph 830-740-25-4 and add the heading preceding paragraph 830-740-25-6, with no link to a transition paragraph, as follows:

Foreign Currency Matters—Income Taxes

Recognition

> ~~> >~~ Price-Level Related Changes

830-740-25-4 Entities located in countries with highly inflationary economies may prepare financial statements restated for general price-level changes in accordance with generally accepted accounting principles (GAAP) in the United States. The tax bases of assets and liabilities of those entities are often restated for the effects of inflation.

830-740-25-5 When preparing financial statements restated for general price-level changes using end-of-current-year purchasing power units, temporary differences are determined based on the difference between the indexed tax basis amount of the asset or liability and the related price-level restated amount reported in the financial statements. Example 1 (see paragraph 830-740-55-1) illustrates the application of this guidance.

> Inside Basis Differences within Foreign Subsidiaries That Meet the Indefinite Reversal Criterion

830-740-25-6 Temporary differences within an entity’s foreign subsidiaries are referred to as inside basis differences. Differences between the tax basis and the financial reporting basis of an investment in a foreign subsidiary are referred to as outside basis differences.

830-740-25-7 Inside basis differences of a foreign subsidiary of a U.S. parent where the local currency is the functional currency may result from foreign laws that provide for the occasional restatement of fixed assets for tax purposes to compensate for the effects of inflation. The amount that offsets the increase in the tax basis of fixed assets is sometimes described as a credit to revaluation surplus, which some view as a component of equity for tax purposes. That amount becomes taxable in certain situations, such as in the event of a liquidation of the foreign subsidiary or if the earnings associated with the revaluation surplus are distributed. In this situation, it is assumed that no mechanisms are available under the tax law to avoid eventual treatment of the revaluation surplus as taxable income. The indefinite reversal criteria of Subtopic 740-30 shall not be applied to inside basis differences of a foreign subsidiary, as indicated in paragraph 740-30-25-17, and a **deferred tax liability** shall be provided on the amount of the revaluation surplus.

830-740-25-8 Paragraph 740-10-25-24 indicates that some temporary differences are deferred **taxable income** and have balances only on the income tax balance sheet. Therefore, these differences cannot be identified with a particular asset or liability for financial reporting purposes. Because the inside basis difference related to the revaluation surplus results in taxable amounts in future years based on the provisions of the foreign tax law, it qualifies as a **temporary difference** even though it may be characterized as a component of equity for tax purposes. Subtopic 740-30 clearly limits the indefinite reversal criterion to the temporary differences described in paragraph 740-10-25-3(a) and shall not be applied to analogous types of temporary differences.

Amendments to Subtopic 835-30, Interest—Imputation of Interest

Issue 48

112. This proposed amendment would clarify that interest expense from revenue contracts with a significant financing component, as referenced in paragraphs 606-10-32-15 through 32-20, is not within the scope of Subtopic 835-30.

113. Amend paragraph 835-30-15-3, with a link to transition paragraph 105-10-65-XA, as follows:

Interest—Imputation of Interest

Scope and Scope Exceptions

> Instruments

835-30-15-3 With the exception of guidance in paragraphs 835-30-45-1A through 45-3 addressing the presentation of **discount** and **premium** in the financial statements, which is applicable in all circumstances, and the guidance in paragraphs 835-30-55-2 through 55-3 regarding the application of the **interest method**, the guidance in this Subtopic does not apply to the following:

a. Payables arising from transactions with suppliers in the normal course of business that are due in customary trade terms not exceeding approximately one year
b. Amounts that do not require repayment in the future, but rather will be applied to the purchase price of the property, goods, or service involved; for example, deposits or progress payments on construction contracts, advance payments for acquisition of resources and raw materials, advances to encourage exploration in the extractive industries (see paragraph 932-835-25-2)~~, except for amounts promised in a **contract** with a **customer** (see paragraphs 606-10-32-15 through 32-20 for guidance on identifying a significant financing component in a contract with a customer)~~
c. Amounts intended to provide security for one party to an agreement (for example, security deposits, retainages on contracts)
d. The customary cash lending activities and demand or savings deposit activities of financial institutions whose primary business is lending money
e. Transactions where interest rates are affected by the tax attributes or legal restrictions prescribed by a governmental agency (for example, industrial revenue bonds, tax exempt obligations, government guaranteed obligations, income tax settlements)
f. Transactions between parent and subsidiary entities and between subsidiaries of a common parent
g. The application of the present value measurement (valuation) technique to estimates of contractual or other obligations assumed in connection with sales of property, goods, or service, for example, a warranty for product performance
h. Receivables, **contract assets**, and **contract liabilities** in contracts with customers, see paragraphs 606-10-32-15 through 32-20 for guidance on identifying a significant financing component in a contract with a customer.

Amendments to Subtopic 860-20, Transfers and Servicing—Sales of Financial Assets

Issue 49

114. The proposed amendments relate to the interaction of the guidance in Topic 326 and Subtopic 860-20, Transfers and Servicing—Sales of Financial Assets. The proposed amendments to Subtopic 860-20 would clarify that when an entity regains control of financial assets sold, an allowance for credit losses should be recorded in accordance with Topic 326.

115. Amend paragraph 860-20-25-13, with a link to transition paragraph 326-10-65-4, as follows:

Transfers and Servicing—Sales of Financial Assets

Recognition

> Regaining Control of Financial Assets Sold

860-20-25-13 For financial assets rerecognized in accordance with paragraph 860-20-25-10, an entity shall recognize a financial asset in accordance with the relevant guidance, including Topic 310 on receivables, Topic 320 on investments—debt and equity securities, Topic 323 on investments—equity method and joint ventures, and Topic 325 on investments—other. In addition, an entity shall measure an allowance for credit losses in accordance with Topic 326. For those financial assets that are not **purchased financial assets with credit deterioration** within the scope of Topic 326, an entity shall recognize an allowance for credit losses with a corresponding charge to credit loss expense as of the reporting date. For those financial assets that are purchased financial assets with credit deterioration (which includes beneficial interest that meets the criteria in paragraph 325-40-30-1A) within the scope of Topic 326, an entity shall recognize an allowance for credit losses in accordance with Topic 326 with a corresponding increase to the amortized cost basis of the financial asset(s) as of the recognition date.~~Under no circumstances shall a loan loss allowance be initially recorded for loans that do not meet the definition of a security when they are rerecognized pursuant to paragraph 860-20-25-10. If a security is subsequently repurchased, it shall be rerecorded in accordance with Topic 320.~~

Amendments to Subtopic 942-320, Financial Services—Depository and Lending—Investments—Debt and Equity Securities

Issue 50

116. The proposed amendments on certain disclosures for depository and lending institutions would clarify that the disclosure requirements in paragraph 320-10-50-3 apply to the disclosure requirements in paragraph 942-320-50-3.

117. Amend paragraphs 942-320-50-3 through 50-3A, with a link to transition paragraph 825-10-65-5, as follows:

Financial Services—Depository and Lending—Investments—Debt and Equity Securities

Disclosure

942-320-50-3 In complying with this requirement, financial institutions shall disclose the net carrying amount of debt securities based on at least 4 maturity groupings:

a. Within 1 year
b. After 1 year through 5 years
c. After 5 years through 10 years
d. After 10 years.

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

942-320-50-3A A financial institution that is a public business entity shall disclose the fair value of the debt securities based on at least 4 maturity groupings:

a. Within 1 year
b. After 1 year through 5 years
c. After 5 years through 10 years
d. After 10 years.

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

Amendments to Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition

Issue 51

118. Paragraph 958-605-55-25 provides recognition guidance for property and equipment in an exchange transaction. The amendments in Accounting Standards Update No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made,* should assist entities in evaluating whether transactions should be accounted for as a contribution or as an exchange transaction and in determining whether a contribution is conditional. Under the amendments in Update 2018-08, a probability assessment should not be used when determining whether a contribution is conditional; therefore, this guidance should have been superseded. The proposed amendment would supersede paragraph 958-605-55-25 to be in conformity with the amendments in Update 2018-08.

119. Supersede paragraph 958-605-55-25, with a link to transition paragraph 105-10-65-XB, as follows:

Not-for-Profit Entities—Revenue Recognition

Implementation Guidance and Illustrations

Contributions Received

> Implementation Guidance

> > Contributions of Use of Property, Utilities, or Advertising Time

958-605-55-25 Paragraph superseded by Accounting Standards Update No. 2019-XX.~~Property and equipment used in exchange transactions (other than lease transactions), such as federal contracts, in which the resource provider retains legal title during the term of the arrangement should be reported as a contribution at fair value at the date received by the NFP only if it is probable that the NFP will be permitted to keep the assets when the arrangement terminates.~~

Amendments to Subtopic 958-220, Not-for-Profit Entities—Income Statement—Reporting Comprehensive Income

Issue 52

120. Paragraph 958-205-05-6B requires that a not-for-profit entity classify expenses in two required net asset classes—with donor restrictions and without donor restrictions—if they are applicable. Paragraph 958-220-45-7 uses the term *net asset category* instead of *net asset class*. The proposed amendment would correct the term.

121. Amend paragraph 958-220-45-7, with no link to a transition paragraph, as follows:

Not-for-Profit Entities—Income Statement—Reporting Comprehensive Income

Other Presentation Matters

> Classification of Revenues, Expenses, Gains, and Losses

958-220-45-7 A statement of activities shall report expenses as decreases in net assets without donor restrictions, with the exception of investment expenses, which shall be netted against investment return and reported in the net asset class~~category~~ in which the net investment return is reported (see Subtopic 958-720).

Issue 53

122. This proposed amendment would add cross-references to paragraphs 958-220-45-21 and 958-720-45-56. Section 958-720-45 has a Subsection titled “Services Received from Personnel of an Affiliate,” and adding a reference to paragraph 958-220-45-21 would be helpful to point a user to that presentation guidance. A respective cross-reference also would be made to paragraph 958-720-45-56 to direct a user to the guidance in paragraph 958-220-45-21.

123. Amend paragraphs 958-220-45-21 and 958-720-45-56, with no link to a transition paragraph, as follows:

Not-for-Profit Entities—Income Statement—Reporting Comprehensive Income

Other Presentation Matters

> Equity Transfers

958-220-45-20 Equity transfers are reported separately as changes in net assets and do not result in any step-up in basis of the underlying assets transferred. However, a service received from personnel of an **affiliate** that directly benefits the recipient NFP and for which the affiliate does not charge the recipient NFP may be recorded at the fair value of that service in the circumstances indicated in paragraph 958-720-30-3. Paragraph 958-20-55-2B describes the difference between an equity transfer and an equity transaction. Paragraph 954-220-45-2 provides additional guidance on the reporting of equity transfers for not-for-profit, business-oriented health care entities.

958-220-45-21 The increase in net assets associated with services received from personnel of an affiliate that directly benefit the recipient NFP and for which the affiliate does not charge the recipient NFP shall be reported as an equity transfer, regardless of whether those services are received from personnel of a not-for-profit affiliate or any other affiliate. The corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of services received from personnel of an affiliate shall be reported similar to how other such expenses or assets are reported. See paragraph 958-720-45-56 for presentation guidance on services received from personnel of an affiliate. Paragraphs 954-220-45-2 through 45-3 provide additional guidance for not-for-profit, business-oriented health care entities.

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

Not-for-Profit Entities—Other Expenses

Other Presentation Matters

Services Received from Personnel of an Affiliate

958-720-45-56 The increase in net assets associated with services received from personnel of an **affiliate** that directly benefit the recipient **not-for-profit entity** (NFP) and for which the affiliate does not charge the recipient NFP shall not be presented as a contra-expense or a contra-asset. The corresponding decrease in net assets or the creation or enhancement of an asset resulting from the use of services received from personnel of an affiliate that directly benefit the recipient NFP and for which the affiliate does not charge the recipient NFP shall be presented similar to how other such expenses or assets are presented. See paragraph 958-220-45-21 for presentation guidance on services received from personnel of an affiliate.

Amendments to Subtopic 958-815, Not-for-Profit Entities—Derivatives and Hedging

Issue 54

124. Paragraph 815-20-25-143 contains guidance on hedge accounting provisions that are applicable to certain not-for-profit entities. The proposed amendment would add a reference in Section 958-815-55 to make it easier for a user to find this not-for-profit-specific guidance.

125. Add paragraph 958-815-55-2 and its related heading, with no link to a transition paragraph, as follows:

Not-for-Profit Entities—Derivatives and Hedging

Implementation Guidance and Illustrations

> Hedge Accounting Provisions Applicable to Certain Not-for-Profit Entities

958-815-55-2 See paragraph 815-20-25-143 for implementation guidance for certain not-for-profit entities on the timing of hedge documentation.

Amendments to Subtopic 970-360, Real Estate—General—Property, Plant, and Equipment

Issue 55

126. Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, includes a consequential amendment to Subtopic 970-360 to clarify that project costs recognized as an asset under Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers, should be capitalized as part of the costs of a real estate project. The term *project costs* is defined in the Master Glossary as costs clearly associated with the acquisition, development, and construction of a real estate project. The guidance in Subtopic 340-40 on costs to fulfill a contract only applies if those costs are not within the scope of another Topic. Because project costs are capitalized under Topic 360, Property, Plant, and Equipment, or Topic 970 as part of a real estate project, Subtopic 340-40 would never apply to those costs. The proposed amendments would remove the reference to Subtopic 340-40 in paragraph 970-360-25-2 to clarify the application of Subtopic 340-40 to project costs and to clarify that project costs should be capitalized as a cost of the project.

127. Amend paragraph 970-360-25-2, with a link to transition paragraph 105-10-65-XB, as follows:

Real Estate—General—Property, Plant, and Equipment

Recognition

Real Estate Project Costs

> Capitalized Project Costs

970-360-25-2 ~~If **project costs** are recognized as an asset in accordance with paragraphs 340-40-25-1 through 25-8, then the recognized asset~~**Project costs**, which are costs that are clearly associated with the acquisition, development, and construction of a real estate project, shall be capitalized as a cost of that project. See Topic 340-40 for guidance on capitalization of costs that are not within the scope of this Subtopic or Subtopic 970-340.

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

128. The Board has proposed transition guidance for some of the amendments in this proposed Update. Some issues have transition guidance specific to each issue. In those instances, the transition and effective date guidance is included as part of the proposed amendments for that issue. The proposed transition guidance below is for all other instances in which the Board has provided transition guidance.

129. Add paragraphs 105-10-65-XA through 65-XB and their related headings as follows:

Generally Accepted Accounting Principles—Overall

Transition and Open Effective Date Information

> Transition Related to Accounting Standards Update No. 2019-XX, *Codification Improvements*

105-10-65-XA The following represents the transition and effective date information related to Accounting Standards Update No. 2019-XX, *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, 2019, 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, 2020, and interim periods within annual periods beginning after December 15, 2021.
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-XB The following represents the transition and effective date information related to Accounting Standards Update No. 2019-XX, *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, 2020, 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, 2020, and interim periods within annual periods beginning after December 15, 2021.
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.

The amendments in this proposed Update were approved for publication 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
Gary R. Buesser
Susan M. Cosper
Marsha L. Hunt
R. Harold Schroeder

Amendments to the XBRL Taxonomy

The provisions of this Exposure Draft, if finalized as proposed, would require improvements to the U.S. GAAP Financial Reporting Taxonomy (Taxonomy). We welcome comments on these proposed improvements to the Taxonomy through Proposed Taxonomy Improvements provided at www.fasb.org. After the FASB has completed its deliberations and issued a final Accounting Standards Update, the proposed improvements to the Taxonomy will be finalized as part of the annual release process.