



Private Company Council Meeting

Public Meeting

June 21, 2021

The views expressed in this presentation are those of the presenter.
Official positions of the FASB are reached only after extensive due process and deliberations



Town Hall/Outreach Meeting Update

Jenifer Wyss, Supervising Project Manager

The views expressed in this presentation are those of the presenter.
Official positions of the FASB are reached only after extensive due process and deliberations



Disclosure Framework: Disclosures— Interim Reporting

Nick Cappiello, Supervising Project Manager
Rachel Daniel, Postgraduate Technical Assistant
Peter Proestakes, Assistant Director
Mary Mazzella, Assistant Director

The views expressed in this presentation are those of the presenter.
Official positions of the FASB are reached only after extensive due process and deliberations

Disclosure Framework: Disclosures—Interim Reporting

■ Project objective:

Improve the effectiveness of disclosures in notes to financial statements at interim periods

May 2014

2015 - 2020

2nd Quarter 2021

- Evaluate interim reporting using the proposed *Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements*
- Outreach to assess disclosure requirements and develop principles
 - Include disclosure principle
 - Incorporate materiality assessment
 - Includes all interim disclosure requirements and links in Topic 270
 - Clarify requirements for comparative period disclosure
- Clarify scope of interim disclosure requirements
- Form and content of statements and notes

Questions for PCC Members

- **Preparers and practitioners**

- What financial information have you or your clients been requested to supply on an interim basis?

- **Users**

- What financial information do you request from private companies at interim periods?



Identifiable Intangible Assets and Subsequent Accounting for Goodwill

Joy Sy, Supervising Project Manager
Julie Um, Project Manager
David Yates, Practice Fellow
Carolyn Warger, Practice Fellow
Shannon Garavaglia, Post-Doctoral Fellow
Julia Blair, Postgraduate Technical Assistant
Katherine Sipple, Postgraduate Technical Assistant
Jeff Mechanick, Assistant Director

The views expressed in this presentation are those of the presenter.
Official positions of the FASB are reached only after extensive due process and deliberations

Tentative Board Decisions to Date

December 16, 2020

- An entity should amortize goodwill on a **straight-line basis** over a **10-year default** period unless an entity elects and **justifies another amortization period** based on the facts and circumstances of the acquisition.
- An entity that elects another amortization period would be **subject to a cap**.
- An evolving amortization model **would not be** permitted
- An entity **would not be required to reassess** the amortization period.

April 7, 2021

- The Board directed staff to perform additional research and outreach related to:
 - Users' perspectives on what types of **intangible assets** provide decision useful information.
 - Certain factors that may be used to estimate the useful life of goodwill, including management's **estimated payback period**.

Questions for PCC Members on Upcoming Board Meeting Topics

- **Estimated Payback Period:** The Board is considering using estimated payback period (the amount of time an entity expects to recover substantially all of its investment outlay) as the potential method to estimate the useful life of goodwill if an entity deviates from the default amortization period of 10 years.
 - **Investors/Other Financial Statement Users:**
 - *Do you believe that an estimated payback period is the appropriate method to estimate the useful life of goodwill? If so, how would you use that information in your analyses and what disclosures should be provided?*
 - **All PCC Members:**
 - *Would there be any operational challenges with providing this information and is this information readily obtainable and available for all acquisitions?*
 - *Are there other methods that should be considered? If so, what are those methods?*
- **Reporting Unit:** The Board will be discussing the unit of account for goodwill impairment testing for PBEs. *For private companies that have elected the amortization alternative, how prevalent is the election to test impairment at the entity level vs. the reporting unit level in current practice?*
- **Transition:** Update 2014-02 (PCC alternative to amortize goodwill) amortized legacy goodwill prospectively on a straight-line basis over 10 years or less if an entity demonstrates that another useful life was appropriate. *What has been your experience with this transition, and were there any challenges (in that process) you can share?*

What's Next?

Potential Changes to Current
Impairment Model
(June 2021)

Consequential Disclosures
(TBD)

Future Board
Meetings

Scope
(TBD)

Transition and Presentation
(TBD)

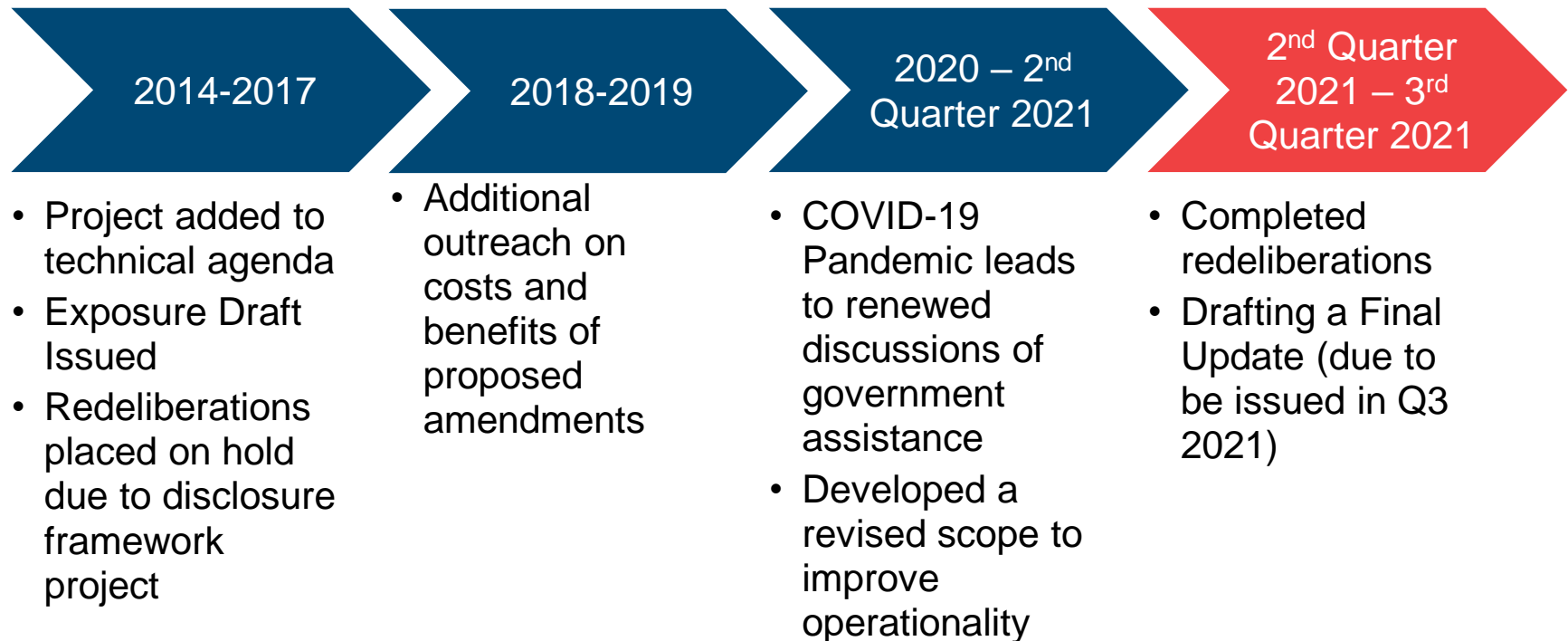


Disclosures by Business Entities about Government Assistance

Liz Gagnon, Supervising Project Manager
Fungisai Chambwe, Practice Fellow
Steven Whitman, Postgraduate Technical Assistant
Jeff Mechanick, Assistant Director

The views expressed in this presentation are those of the presenter.
Official positions of the FASB are reached only after extensive due process and deliberations

Timeline



Board Decisions from May 2021 Meeting

- The disclosures should apply to a business entity that has accounted for a transaction with a government by analogizing to a grant or a contribution accounting model.
 - For example, IAS 20 on Accounting for Government Grants, or Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition
- The amendments would be effective for fiscal years beginning after December 15, 2021, for all business entities. Early adoption is permitted.
- The Board also concluded that the expected benefits of the amendments justify the expected costs and directed the staff to draft a final Accounting Standards Update for vote by written ballot.

Examples of transactions with the government that would require disclosure under the proposed guidance:

A forgivable loan from the government in which a business entity concludes that the transaction is accounted for as a grant by applying IAS 20 by analogy

A receipt of cash or other assets from the government that is accounted for as a contribution applying Subtopic 958-605 by analogy

Examples of transactions with the government that would not require disclosure under the proposed guidance:

Income tax credits within the scope of Topic 740, Income Taxes

A contract with the government in which the government is acting as a customer and is within the scope of revenue recognition guidance (Topic 606)

A forgivable or below-market interest rate loan from the government in which a business entity concludes that the transaction is within the scope of Topic 470, Debt

Proposed ASU – Required Disclosures

- Nature of Assistance, Related Accounting Policies and Effect on Financial Statement Amounts
 - This includes the line on the balance sheet or income statement that is affected by the assistance received
- Significant Terms and Conditions of the Agreement
 - Ex: duration, contingencies, commitments
- If an entity omits specific information required by the final disclosures because the information is legally prohibited from being disclosed, the entity should disclose a description of the general nature of the information omitted and the specific source of prohibition.

Next Steps

- The staff is drafting a final Update that is expected to be issued during Q3 2021
- The staff will continue to monitor feedback received from the FASB's Agenda Consultation project on the recognition and measurement of government grants.

Private Company Council—Public Meeting



Open Discussion/Other Business

Candy Wright, PCC Chair

The views expressed in this presentation are those of the presenter.
Official positions of the FASB are reached only after extensive due process and deliberations