FINANCIAL ACCOUNTING SERIES

ACCOUNTING STANDARDS UPDATE

No. 2014-17
November 2014

Business Combinations (Topic 805)

Pushdown Accounting

a consensus of the FASB Emerging Issues Task Force

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

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Summary

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

Current generally accepted accounting principles (GAAP) offer limited guidance for determining whether and at what threshold an acquiree (acquired entity) can reflect the acquirer's accounting and reporting basis (pushdown accounting) in its separate financial statements. Securities and Exchange Commission (SEC) Staff Accounting Bulletin Topic No. 5.J*, New Basis of Accounting Required in Certain Circumstances*, Emerging Issues Task Force (EITF) Topic No. D-97, "Push-Down Accounting," and other comments made by the SEC Observer at EITF meetings provide guidance on pushdown accounting for SEC registrants. However, because the SEC staff's guidance applies only to SEC registrants, no guidance exists for the application of pushdown accounting for entities that are not SEC registrants.

The objective of this Update is to provide guidance on whether and at what threshold an acquired entity that is a business or nonprofit activity can apply pushdown accounting in its separate financial statements.

Who Is Affected by the Amendments in This Update?

The amendments in this Update apply to the separate financial statements of an acquired entity and its subsidiaries that are a business or nonprofit activity (either public or nonpublic) upon the occurrence of an event in which an acquirer (an individual or an entity) obtains control of the acquired entity.

What Are the Main Provisions?

The amendments in this Update provide an acquired entity with an option to apply pushdown accounting in its separate financial statements upon occurrence of an event in which an acquirer obtains control of the acquired entity.

An acquired entity may elect the option to apply pushdown accounting in the reporting period in which the change-in-control event occurs. An acquired entity should determine whether to elect to apply pushdown accounting for each individual change-in-control event in which an acquirer obtains control of the acquired entity. If pushdown accounting is not applied in the reporting period in which the change-in-control event occurs, an acquired entity will have the option to elect to apply pushdown accounting in a subsequent reporting period to the acquired entity's most recent change-in-control event. An election to apply pushdown accounting in a reporting period after the reporting period in which the change-in-control event occurred should be considered a change in accounting principle in accordance with Topic 250, Accounting Changes and Error Corrections. If pushdown accounting is applied to an individual change-in-control event, that election is irrevocable.

If an acquired entity elects the option to apply pushdown accounting in its separate financial statements, it should disclose information in the current reporting period that enables users of financial statements to evaluate the effect of pushdown accounting.

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

Current GAAP offers limited guidance for determining whether and at what threshold pushdown accounting should be established in an acquired entity's separate financial statements. The amendments in this Update provide that an acquired entity may elect to apply pushdown accounting in its separate financial statements upon a change-in-control event in which an acquirer obtains control of the acquired entity.

In the absence of relevant guidance in GAAP, entities (including some non-SEC registrants) currently look to the SEC staff guidance to determine whether and at what threshold they should apply pushdown accounting in their separate financial statements. The amendments in this Update provide specific guidance on pushdown accounting for all entities. Furthermore, the threshold for pushdown accounting in this Update is consistent with the threshold for change-in-control events in Topic 805, Business Combinations, and Topic 810, Consolidation, and, therefore, reduces the complexity that some stakeholders said exists under the current pushdown accounting practices.

When Will the Amendments Be Effective?

The amendments in this Update are effective on November 18, 2014. After the effective date, an acquired entity can make an election to apply the guidance to future change-in-control events or to its most recent change-in-control event. However, if the financial statements for the period in which the most recent change-in-control event occurred already have been issued or made available to be issued, the application of this guidance would be a change in accounting principle.

How Do the Provisions Compare with International Financial Reporting Standards (IFRS)?

Currently, there is no guidance in IFRS on pushdown accounting.

Amendments to the *FASB Accounting Standards Codification*®

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–11. In some cases, to put the change into context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is <u>underlined</u>, and deleted text is ~~struck out~~.

Amendments to Master Glossary

2. Add the following Master Glossary terms to Subtopic 805-50 as follows:

Change in Accounting Principle

A change from one generally accepted accounting principle to another generally accepted accounting principle when there are two or more generally accepted accounting principles that apply or when the accounting principle formerly used is no longer generally accepted. A change in the method of applying an accounting principle also is considered a change in accounting principle.

Conduit Debt Securities

Certain limited-obligation revenue bonds, certificates of participation, or similar debt instruments issued by a state or local governmental entity for the express purpose of providing financing for a specific third party (the conduit bond obligor) that is not a part of the state or local government's financial reporting entity. Although conduit debt securities bear the name of the governmental entity that issues them, the governmental entity often has no obligation for such debt beyond the resources provided by a lease or loan agreement with the third party on whose behalf the securities are issued. Further, the conduit bond obligor is responsible for any future financial reporting requirements.

Control (third definition)

The same as the meaning of controlling financial interest in paragraph 810-10-15-8.

Financial Statements Are Available to Be Issued

Financial statements are considered available to be issued when they are complete in a form and format that complies with GAAP and all approvals necessary for issuance have been obtained, for example, from management, the board of directors, and/or significant shareholders. The process involved in creating and distributing the financial statements will vary depending on an entity's management and corporate governance structure as well as statutory and regulatory requirements.

Financial Statements Are Issued

Financial statements are considered issued when they are widely distributed to shareholders and other financial statement users for general use and reliance in a form and format that complies with GAAP. (U.S. Securities and Exchange Commission [SEC] registrants also are required to consider the guidance in paragraph 855-10-S99-2.)

Securities and Exchange Commission (SEC) Filer

An entity that is required to file or furnish its financial statements with either of the following:

a. The Securities and Exchange Commission (SEC)
b. With respect to an entity subject to Section 12(i) of the Securities Exchange Act of 1934, as amended, the appropriate agency under that Section.

Financial statements for other entities that are not otherwise SEC filers whose financial statements are included in a submission by another SEC filer are not included within this definition.

3. Amend the Master Glossary term *Pushdown Accounting*, with a link to transition paragraph 805-50-65-1, as follows:

Pushdown Accounting

Use of the **acquirer's**~~acquiring entity's~~ basis ~~of accounting~~ in the preparation of the **acquiree's** separate~~acquired entity's~~ financial statements.

4. The following existing Master Glossary terms are shown for convenience:

Acquiree

The **business** or **businesses** that the **acquirer** obtains control of in a **business combination**. This term also includes a nonprofit activity or business that a not-for-profit acquirer obtains control of in an **acquisition by a not-for-profit entity**.

Acquirer

The entity that obtains control of the **acquiree**. However, in a **business combination** in which a **variable interest entity** (VIE) is acquired, the primary beneficiary of that entity always is the acquirer.

Acquisition Date

The date on which the **acquirer** obtains control of the **acquiree**.

Business

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs, or other economic benefits directly to investors or other owners, members, or participants. Additional guidance on what a business consists of is presented in paragraphs 805-10-55-4 through 55-9.

Nonprofit Activity

An integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing benefits, other than goods or services at a profit or profit equivalent, as a fulfillment of an entity's purpose or mission (for example, goods or services to beneficiaries, customers, or members). As with a not-for-profit entity, a nonprofit activity possesses characteristics that distinguish it from a **business** or a for-profit business entity.

Amendments to Subtopic 805-50

5. Supersede paragraphs 805-50-05-1 and 805-50-05-8 and its related heading, amend paragraphs 805-50-05-2 and 805-50-05-6 through 05-7 and the Subsection title and add the General Note, and add paragraph 805-50-05-9 and the new Subsection title, with a link to transition paragraph 805-50-65-1, as follows:

Business Combinations—Related Issues

Overview and Background

General

805-50-05-1 Paragraph superseded by Accounting Standards Update 2014-17.~~This Subtopic provides guidance on the accounting and reporting for two transactions that have certain characteristics that are similar to **business combinations** but do not meet the requirements to be accounted for as business combinations, and on another issue that arises after a business combination.~~

805-50-05-2 This Subtopic presents guidance in the following Subsections:

a. General
b. Acquisition of Assets Rather than a Business
c. Transactions Between Entities under Common Control
d. Formation of a Master Limited Partnership~~New Basis of Accounting (Pushdown).~~
e. Pushdown Accounting.

Note on Subsection New Basis of Accounting (Pushdown): Upon the effective date of Accounting Standards Update 2014-17, the title of the Subsection below will change to Formation of a Master Limited Partnership.

Formation of a Master Limited Partnership~~New Basis of Accounting (Pushdown)~~

805-50-05-6 The Formation of a Master Limited Partnership ~~New Basis of Accounting (Pushdown)~~ Subsections provide guidance on when ~~whether an entity must present~~ a new basis of accounting may be recorded for the assets and liabilities of a master limited partnership.~~ in certain situations. These Subsections provide guidance on specific types of master limited partnership transactions and, separately, the basis of accounting to be used by an **acquiree** after an acquisition.~~

> Master Limited Partnership Transactions

805-50-05-7 Master limited partnerships are partnerships in which interests are publicly traded. Most master limited partnerships are formed from assets in existing businesses. Typically, the general partner of the master limited partnership is affiliated with the existing **business** (that is, the master limited partnership is usually operated as an extension of or complementary to the business of the general partner). The purposes for forming a master limited partnership vary. They can be formed to realize the value of undervalued assets, to pass income and tax-deductible losses directly through to owners, to raise capital, to combine several existing partnerships, or as a vehicle to enable entities to sell, spin off, or liquidate existing operations. A master limited partnership may be created in a variety of ways. Whether a particular transaction is a **business combination** that should be accounted for using the acquisition method or a transaction between entities under common control can be determined only after a careful analysis of all facts and circumstances. The Formation of a Master Limited Partnership ~~New Basis of Accounting (Pushdown)~~ Subsections identify specific transactions involving master limited partnerships and provide guidance on whether a new basis of accounting is appropriate.

~~> Basis of Accounting to Be Used by Acquiree After an Acquisition~~

805-50-05-8 Paragraph superseded by Accounting Standards Update 2014-17.~~An acquisition may occur in which the acquiree is not a party to the transaction effecting the change in ownership and is not a Securities and Exchange Commission (SEC) registrant. In such a situation, a step-up in tax basis may be elected, and there may be no compelling reasons for retaining the old basis. The guidance in the New Basis of Accounting (Pushdown) Subsections also addresses whether **pushdown accounting** is required in the separate financial statements of the acquiree.~~

Pushdown Accounting

805-50-05-9 The guidance in the Pushdown Accounting Subsections addresses whether and at what threshold an **acquiree** that is a business or **nonprofit activity** can apply **pushdown accounting** in its separate financial statements.

6. Amend paragraph 805-50-15-7 and the Subsection title and add the General Note, supersede paragraphs 805-50-15-8 through 15-9 and their related heading, and add paragraphs 805-50-15-10 through 15-11 and their related headings and the new Subsection title, with a link to transition paragraph 805-50-65-1, as follows:

Scope and Scope Exceptions

General

> Overall Guidance

805-50-15-1 This Subtopic has its own discrete scope, which is separate and distinct from the pervasive scope for this Topic as outlined in Section 805-10-15.

Note on Subsection New Basis of Accounting (Pushdown): Upon the effective date of Accounting Standards Update 2014-17, the title of the Subsection below will change to Formation of a Master Limited Partnership.

Formation of a Master Limited Partnership~~New Basis of Accounting (Pushdown)~~

> Entities

805-50-15-7 The guidance in the Formation of a Master Limited Partnership ~~New Basis of Accounting (Pushdown)~~ Subsections applies to a publicly traded master limited partnership formed from assets of existing **businesses**. Paragraph 805-50-05-7 explains that, typically, the general partner of the master limited partnership is affiliated with the existing business.~~all entities with transactions meeting the qualifications in the following paragraph.~~

~~> Transactions~~

805-50-15-8 Paragraph superseded by Accounting Standards Update 2014-17.~~The guidance in the New Basis of Accounting (Pushdown) Subsections applies to the following transactions:~~

- ~~a. A publicly traded master limited partnership formed from assets of existing businesses. Paragraph 805-50-05-7 explains that typically, the general partner of the master limited partnership is affiliated with the existing **business**.~~
- ~~b. An acquisition in which all of the following conditions are met:~~
  - ~~1. The **acquiree** is not a party to the transaction effecting change in ownership and is not a Securities and Exchange Commission (SEC) registrant.~~

2. ~~A step-up in tax basis is elected.~~
3. ~~There are no compelling reasons for retaining the old basis.~~

805-50-15-9 Paragraph superseded by Accounting Standards Update 2014-17.~~For a transaction meeting the conditions in (b) in the preceding paragraph, guidance is provided solely on whether **pushdown accounting** is required in the preparation of the acquired entity's financial statements.~~

Pushdown Accounting

> Entities

805-50-15-10 The guidance in the Pushdown Accounting Subsections applies to the separate financial statements of an **acquiree** and its subsidiaries.

> Transactions

805-50-15-11 The guidance in the Pushdown Accounting Subsections does not apply to transactions in paragraph 805-10-15-4.

7. Supersede paragraph 805-50-25-3 and the Subsection title and add paragraphs 805-50-25-4 through 25-9 and the new Subsection title, with a link to transition paragraph 805-50-65-1, as follows:

Recognition

~~New Basis of Accounting (Pushdown)~~

805-50-25-3 Paragraph superseded by Accounting Standards Update 2014-17.~~**Pushdown accounting** is not required for entities that are not Securities and Exchange Commission (SEC) registrants.~~

Pushdown Accounting

805-50-25-4 An **acquiree** shall have the option to apply **pushdown accounting** in its separate financial statements when an **acquirer**—an entity or individual—obtains **{add glossary link to 3rd definition}control{add glossary link to 3rd definition}** of the acquiree. An acquirer might obtain control of an acquiree in a variety of ways, including any of the following:

a. By transferring cash or other assets
b. By incurring liabilities
c. By issuing equity interests
d. By providing more than one type of consideration
e. Without transferring consideration, including by contract alone as discussed in paragraph 805-10-25-11.

805-50-25-5 The guidance in the General Subsections of Subtopic 810-10 on consolidation, related to determining the existence of a controlling financial interest shall be used to identify the acquirer. If a business combination has occurred but applying that guidance does not clearly indicate which of the combining entities is the acquirer, the factors in paragraphs 805-10-55-11 through 55-15 shall be considered in identifying the acquirer. However, if the acquiree is a **variable interest entity** (VIE), the primary beneficiary of the acquiree always is the acquirer. The determination of which party, if any, is the primary beneficiary of a VIE shall be made in accordance with the guidance in the Variable Interest Entities Subsections of Subtopic 810-10, not by applying the guidance in the General Subsections of that Subtopic relating to a controlling financial interest or the guidance in paragraphs 805-10-55-11 through 55-15.

805-50-25-6 The option to apply **pushdown accounting** may be elected each time there is a change-in-control event in which an **acquirer** obtains **{add glossary link to 3rd definition}control{add glossary link to 3rd definition}** of the **acquiree**. An acquiree shall make an election to apply pushdown accounting before the **financial statements are issued** (for a **Securities and Exchange Commission (SEC) filer** and a conduit bond obligor for **conduit debt securities** that are traded in a public market) or the **financial statements are available to be issued** (for all other entities) for the reporting period in which the change-in-control event occurred. If the acquiree elects the option to apply pushdown accounting, it must apply the accounting as of the **acquisition date**.

805-50-25-7 If the **acquiree** does not elect to apply **pushdown accounting** upon a change-in-control event, it can elect to apply pushdown accounting to its most recent change-in-control event in a subsequent reporting period as a **change in accounting principle** in accordance with Topic 250 on accounting changes and error corrections. Pushdown accounting shall be applied as of the acquisition date of the change-in-control event.

805-50-25-8 Any subsidiary of an **acquiree** also is eligible to make an election to apply **pushdown accounting** to its separate financial statements in accordance with the guidance in paragraphs 805-50-25-4 through 25-7 irrespective of whether the acquiree elects to apply pushdown accounting.

805-50-25-9 The decision to apply pushdown accounting to a specific change-in-control event if elected by an acquiree is irrevocable.

8. Amend the Subsection title preceding paragraph 805-50-30-7 and add the General Note, and add paragraphs 805-50-30-10 through 30-12 and the new Subsection title, with a link to transition paragraph 805-50-65-1, as follows:

Initial Measurement

Note on Subsection New Basis of Accounting (Pushdown): Upon the effective date of Accounting Standards Update 2014-17, the title of the Subsection below will change to Formation of a Master Limited Partnership.

Formation of a Master Limited Partnership~~New Basis of Accounting (Pushdown)~~

805-50-30-7 Because of such factors as the consideration of common ownership and changes in control, a new basis of accounting is not appropriate for any of the following transactions that create a master limited partnership:

a. A **rollup** in which the general partner of the new master limited partnership was also the general partner in some or all of the predecessor limited partnerships and no cash is involved in the transaction. Transaction costs in a rollup shall be charged to expense.
b. A **dropdown** in which the sponsor receives 1 percent of the units in the master limited partnership as the general partner and 24 percent of the units as a limited partner, the remaining 75 percent of the units are sold to the public, and a two-thirds vote of the limited partners is required to replace the general partner.
c. A **rollout**.
d. A **reorganization**.

805-50-30-8 In other situations, it is possible that a new basis of accounting would be appropriate.

805-50-30-9 The issuance of master limited partnership units to a general partner of a predecessor limited partnership who will not be the general partner of the new master limited partnership in settlement of management contracts or for other services that will not carry over to the new master limited partnership has characteristics of compensation rather than of equity and shall be accounted for accordingly by the new master limited partnership.

Pushdown Accounting

805-50-30-10 If an **acquiree** elects the option in this Subtopic to apply **pushdown accounting**, the acquiree shall reflect in its separate financial statements the new basis of accounting established by the **acquirer** for the individual assets and liabilities of the acquiree by applying the guidance in other Subtopics of Topic 805. If the acquirer did not establish a new basis of accounting for the individual assets and liabilities of the acquiree because it was not required to apply Topic 805 (for example, if the acquirer was an individual or an investment company—see Topic 946 on investment companies), the acquiree shall reflect in its separate financial statements the new basis of accounting that would have been established by the acquirer had the acquirer applied the guidance in other Subtopics of Topic 805.

805-50-30-11 An acquiree shall recognize goodwill that arises because of the application of pushdown accounting in its separate financial statements. However, bargain purchase gains recognized by the acquirer, if any, shall not be recognized in the acquiree's income statement. The acquiree shall recognize the bargain purchase gains recognized by the acquirer as an adjustment to additional paid-in capital (or net assets of a not-for-profit acquiree).

805-50-30-12 An **acquiree** shall recognize in its separate financial statements any acquisition-related liability incurred by the **acquirer** only if the liability represents an obligation of the acquiree in accordance with other applicable Topics.

9. Add paragraphs 805-50-35-2 and 805-50-50-5 through 50-6 and the new Subsection title, with a link to transition paragraph 805-50-65-1, as follows:

Subsequent Measurement

Pushdown Accounting

805-50-35-2 An **acquiree** shall follow the subsequent measurement guidance in other Subtopics of Topic 805 and other applicable Topics to subsequently measure and account for its assets, liabilities, and equity instruments, as applicable.

Disclosure

Pushdown Accounting

805-50-50-5 If an **acquiree** elects the option to apply **pushdown accounting** in its separate financial statements, it shall disclose information in the period in which the pushdown accounting was applied (or in the current reporting period if the acquiree recognizes adjustments that relate to pushdown accounting) that enables users of financial statements to evaluate the effect of pushdown accounting. To meet this disclosure objective, the acquiree shall consider the disclosure requirements in other Subtopics of Topic 805.

805-50-50-6 Information to evaluate the effect of **pushdown accounting** may include the following:

a. The name and a description of the **acquirer** and a description of how the acquirer obtained **{add glossary link to 3rd definition}control{add glossary link to 3rd definition}** of the acquiree.
b. The **acquisition date.**
c. The acquisition-date fair value of the total consideration transferred by the acquirer.
d. The amounts recognized by the acquiree as of the acquisition date for each major class of assets and liabilities as a result of applying pushdown accounting. If the initial accounting for pushdown accounting is incomplete for any amounts recognized by the acquiree, the reasons why the initial accounting is incomplete.
e. A qualitative description of the factors that make up the goodwill recognized, such as expected synergies from combining operations of

the acquiree and the acquirer, or intangible assets that do not qualify for separate recognition, or other factors. In a bargain purchase (see paragraphs 805-30-25-2 through 25-4), the amount of the bargain purchase recognized in additional paid-in capital (or net assets of a not-for-profit acquiree) and a description of the reasons why the transaction resulted in a gain.

f. Information to evaluate the financial effects of adjustments recognized in the current reporting period that relate to pushdown accounting that occurred in the current or previous reporting periods (including those adjustments made as a result of the initial accounting for pushdown accounting being incomplete [see paragraphs 805-10-25-13 through 25-14]).

The information in this paragraph is not an exhaustive list of disclosure requirements. The acquiree shall disclose whatever additional information is necessary to meet the disclosure objective set out in paragraph 805-50-50-5.

10. Add paragraph 805-50-65-1 and its related heading as follows:

> Transition Related to Accounting Standards Update No. 2014-17, *Business Combinations (Topic 805): Pushdown Accounting*

805-50-65-1 The following represents the transition and effective date information related to Accounting Standards Update No. 2014-17, *Business Combinations (Topic 805): Pushdown Accounting*:

a. The pending content that links to this paragraph is effective as of November 18, 2014.
b. The pending content that links to this paragraph shall be applied by an **acquiree** as of the **acquisition date** of a change-in-control event in which an acquirer obtained **{add glossary link to 3rd definition}control{add glossary link to 3rd definition}** of the acquiree to both of the following events:
    1. A change-in-control event with an acquisition date after November 18, 2014
    2. A change-in-control event with an acquisition date before November 18, 2014, when the financial statements of the reporting period that contains the acquisition date have not been issued (a **Securities and Exchange Commission (SEC) filer** or a conduit bond obligor as discussed in Topic 855 on subsequent events) or made available to be issued (all other entities as discussed in Topic 855).
c. The pending content that links to this paragraph shall be applied by an acquiree as of the acquisition date of its most recent change-in-control event in which an acquirer obtained control of the acquiree that meets both of the following conditions as a **change in accounting principle**

in accordance with Topic 250 on accounting changes and error corrections:

1. The acquisition date of the change-in-control event is before November 18, 2014.
2. The financial statements of the reporting period that contains the acquisition date have been issued (an SEC filer or a conduit bond obligor as discussed in Topic 855) or made available to be issued (all other entities as discussed in Topic 855).

d. **Pushdown accounting** applied by an acquiree before the effective date of the pending content that links to this paragraph is irrevocable.

11. Amend paragraph 805-50-00-1, by adding the following items to the table, as follows:

805-50-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	**Action**	**Accounting Standards Update**	**Date**
Change in Accounting Principle	Added	2014-17	11/18/2014
Conduit Debt Securities	Added	2014-17	11/18/2014
Control (3rd def.)	Added	2014-17	11/18/2014
Financial Statements Are Available to Be Issued	Added	2014-17	11/18/2014
Financial Statements Are Issued	Added	2014-17	11/18/2014
Pushdown Accounting	Amended	2014-17	11/18/2014
Securities and Exchange Commission (SEC) Filer	Added	2014-17	11/18/2014
805-50-05-1	Superseded	2014-17	11/18/2014
805-50-05-2	Amended	2014-17	11/18/2014
805-50-05-6	Amended	2014-17	11/18/2014
805-50-05-7	Amended	2014-17	11/18/2014
805-50-05-8	Superseded	2014-17	11/18/2014
805-50-05-9	Added	2014-17	11/18/2014

Paragraph	Action	Accounting Standards Update	Date
805-50-15-7	Amended	2014-17	11/18/2014
805-50-15-8	Superseded	2014-17	11/18/2014
805-50-15-9	Superseded	2014-17	11/18/2014
805-50-15-10	Added	2014-17	11/18/2014
805-50-15-11	Added	2014-17	11/18/2014
805-50-25-3	Superseded	2014-17	11/18/2014
805-50-25-4 through 25-9	Added	2014-17	11/18/2014
805-50-30-10 through 30-12	Added	2014-17	11/18/2014
805-50-35-2	Added	2014-17	11/18/2014
805-50-50-5	Added	2014-17	11/18/2014
805-50-50-6	Added	2014-17	11/18/2014
805-50-65-1	Added	2014-17	11/18/2014

The amendments in this Update were adopted by the affirmative vote of five members of the Financial Accounting Standards Board. Messrs. Linsmeier and Siegel dissented.

Messrs. Linsmeier and Siegel dissent from the issuance of this Update, which would expand the ability of an acquired entity to elect to use new basis accounting at any time after an acquirer gains control over the entity, for four primary reasons. First, this Update addresses only one of many possible scenarios in which new basis accounting could be considered. Furthermore, new basis accounting represents a significant fundamental shift in the measurement basis of assets and liabilities that raises many questions about its potential decision usefulness in general purpose financial statements that are designed to serve all of an entity's resource providers by helping them assess the potential cash flow prospects from their investments in the entity. In December 1991, the FASB exposed for comment its Discussion Memorandum, *New Basis Accounting*, with the objective of seeking stakeholder views on the fundamental issue of when, if ever, it is appropriate to recognize a new basis of accounting in four divergent situations. No conclusions subsequently were reached by the Board. Messrs. Linsmeier and Siegel, therefore, believe that it is inappropriate to selectively expand the potential use of new basis accounting without first determining whether and how it enhances the decision usefulness of general purpose financial statements. Once that determination is made, new basis accounting should be considered more holistically, rather than for just the change-in-control fact pattern addressed in this Update.

Second, the acquired entity's general purpose financial statements that would be eligible for pushdown accounting under this Update primarily serve the interests of claimants other than the controlling shareholders because debtholders and noncontrolling shareholders can look only to the net assets of the acquired entity to satisfy their claims. In contrast, the controlling shareholders of the acquired entity can look to the net assets of the consolidated entity to satisfy their claims. Messrs. Linsmeier and Siegel, therefore, question whether providing the controlling interest with an election to align the measurement basis of the assets and liabilities of the acquired entity with those of the acquirer will disserve the debtholders and noncontrolling shareholders of the acquired entity by including assets in the acquired entity financial statements to which they have no claim (such as goodwill) and by introducing a one-time change in the carrying value of assets and liabilities that makes time-series comparisons of changes in assets, liabilities, and resulting income items challenging, hindering the decision usefulness of the acquired entity's financial statements for its primary users.

Third, Messrs. Linsmeier and Siegel contend that providing an option to the controlling interest to push down the basis of accounting for the assets and liabilities of the controlling entity to the acquired entity's financial statements introduces potential noncomparability in the basis of accounting used by acquired entities, hindering the comparison of financial information across entities. They believe that this potential noncomparability is quite significant given that this Update permits not just the acquired entity but each subsidiary of an acquired entity to make separate independent elections to apply pushdown accounting to their separate financial statements. Thus, under this guidance, one or more of the subsidiaries of an acquired entity can elect to apply pushdown accounting to their separate financial statements even when the acquired entity or one or more of the other subsidiaries of the acquired entity elect not to apply pushdown accounting.

Messrs. Linsmeier and Siegel believe that it would be very confusing for users of the financial reports of the acquired entity and its subsidiaries to review financial statements prepared using different measurement bases for the same assets and liabilities within consolidated and separate statements. They also observe that the ability of the acquired entity and its subsidiaries to make these elections is inconsistent with the qualitative characteristics of financial reporting in Chapter 3 of FASB Concepts Statement No. 8, *Conceptual Framework for Financial Reporting*, which sets out comparability as an enhancing qualitative characteristic of financial reporting. Paragraph QC25 of Chapter 3 states that "although a single economic phenomenon can be faithfully represented in multiple ways, permitting alternative accounting methods for the same economic phenomenon diminishes comparability." Messrs. Linsmeier and Siegel's concerns are heightened by the additional provision in this Update that permits an acquired entity and its subsidiaries to elect to apply pushdown accounting in a period after the change-in-control event, perhaps years later, as a change in accounting principle. They are further troubled because introducing this future election to apply pushdown accounting gives an acquired entity or its subsidiaries the ability to compare the results of accounting under the two different measurement systems and change measurement methods when pushdown accounting makes the reported results look better.

Fourth, Messrs. Linsmeier and Siegel believe that the Update provides insufficient guidance on the application of pushdown accounting, which likely will result in diversity in application of pushdown accounting in practice. Their concern relates to a series of issues raised in comment letters responding to the proposed Update. Messrs. Linsmeier and Siegel note that respondents requested additional guidance on how to report under pushdown accounting for items such as indemnification assets, contingent consideration, transaction costs, noncompete agreements, change-in-control bonuses, and the presentation of predecessor and successor financial statements. Messrs. Linsmeier and Siegel are concerned that because the Update does not address how to report on those items, there will be an increase in the diversity in application of pushdown accounting as more companies are permitted to apply pushdown accounting at the lower change-in-control threshold and selectively for more and different entities.

To avoid the issues raised above, Messrs. Linsmeier and Siegel would have preferred that this Update only require that the acquired entity disclose the fair value of its assets and liabilities recognized on the acquirer's books because that was the information that users indicated is most useful to them. Such disclosures would not introduce comparability issues within and among companies and would allow the Board to address new basis issues comprehensively if and when they become a priority. Alternatively, Messrs. Linsmeier and Siegel could support requiring pushdown accounting when the acquirer obtains control over substantially all of the acquired entity because in that situation (1) the primary claimants to the acquired entity's net assets are the shareholders with a controlling interest and (2) a requirement to push down the accounting basis to all acquired entities does not introduce financial statement comparability issues among different acquired entities.

Members of the Financial Accounting Standards Board:

Russell G. Golden, *Chairman*
James L. Kroeker, *Vice Chairman*
Daryl E. Buck
Thomas J. Linsmeier
R. Harold Schroeder
Marc A. Siegel
Lawrence W. Smith

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Task Force's considerations in reaching the conclusions in this Update. It includes the Board's basis for ratifying the Task Force conclusions when needed to supplement the Task Force's considerations. It also includes reasons for accepting certain approaches and rejecting others. Individual Task Force and Board members gave greater weight to some factors than to others.

Background Information

BC2. Current GAAP offers limited guidance for determining whether and at what threshold an acquiree (acquired entity) can reflect the acquirer's accounting and reporting basis (pushdown accounting) in its separate financial statements. SEC Staff Accounting Bulletin Topic No. 5.J, *New Basis of Accounting Required in Certain Circumstances,* EITF Topic No. D-97, "Push-Down Accounting," and other comments made by the SEC Observer at EITF meetings provide guidance for SEC registrants on pushdown accounting. Additionally, certain financial institutions are required by their regulators to apply pushdown accounting in certain circumstances. The SEC staff's guidance indicates that if a purchase transaction results in an entity becoming substantially wholly owned, the entity's standalone financial statements should be adjusted to reflect the basis of accounting by its parent. The SEC staff's guidance further states that pushdown accounting is (a) required when 95 percent or more of an entity's ownership is acquired, (b) permitted when 80 to 95 percent is acquired, and (c) prohibited when less than 80 percent is acquired. The existence of other interests, such as public debt, preferred stock, or a significant noncontrolling interest, however, may exempt an entity from applying pushdown accounting. The SEC staff's guidance also indicates that holdings of investors who both mutually promote the acquisition and collaborate on the subsequent control of the acquired entity should be aggregated for the purpose of determining whether the acquired entity has become substantially wholly owned.

BC3. In the past, the EITF considered certain Issues that addressed pushdown accounting but reached consensus on only a few of them, including the application of pushdown accounting to non-SEC registrants (EITF Issue No. 86-9, "IRC Section 338 and Push-Down Accounting") and the change in accounting basis in master limited partnership transactions (EITF Issue No. 87-21, "Change of Accounting Basis in Master Limited Partnership Transactions"). In Issue 86-9, the Task Force concluded that pushdown accounting is not required for entities that are not SEC registrants even if an acquisition meets all of the following three conditions: (a) the acquired entity is neither an SEC registrant nor a party to the transaction effecting a change in ownership, (b) a step-up in tax basis is elected by the acquired entity, and (c) there are no compelling reasons for the acquired entity to retain the old basis. Similarly, in Issue 87-21, the Task Force concluded that a new accounting basis is not appropriate for any of the following transactions that create a master limited partnership: (a) rollup, (b) dropdown, (c) rollout, and (d) reorganization. However, the Task Force concluded that in other situations, it is possible that a new basis of accounting would be appropriate. Guidance from both Issues is included in Subtopic 805-50, Business Combinations—Related Issues.

BC4. Because the SEC staff's guidance is applicable only to SEC registrants, no guidance exists for applying pushdown accounting, for entities that are not SEC registrants. In addition, some practice issues exist in applying pushdown accounting for all entities as a result of the limited guidance.

BC5. At its March 13, 2014 meeting the Task Force reached a consensus-for-exposure on this Issue. The consensus-for-exposure was ratified subsequently by the Board and a proposed Accounting Standards Update, *Business Combinations (Topic 805): Pushdown Accounting*, was issued for public comment on April 28, 2014, with a comment period that ended on July 31, 2014. Twenty-three comment letters were received on the proposed Update.

BC6. The Task Force considered the feedback received on the proposed Update at its September 18, 2014 meeting, and a consensus was reached at that meeting. The consensus was ratified subsequently by the Board resulting in issuance of this Update.

Scope

BC7. During the EITF Agenda Committee meeting at which this Issue first was considered, several members of the EITF and the Board raised questions about the scope of the Issue. Some questioned whether the scope should be limited to purchase transactions or whether it should apply to all transactions in which an acquirer obtains control of the reporting entity that is a business or nonprofit activity. The FASB Chairman recommended that the FASB staff perform additional research on the Issue by forming a working group. The working group comprising members from accounting firms, users, and preparers met on July 26, 2012.

BC8. The working group explored several scope alternatives ranging from the narrowest—addressing pushdown accounting issues in a purchase transaction—to the broadest—developing overarching principles for all possible new basis accounting issues. The working group noted that pushdown accounting is only one of a broader set of new basis accounting issues. However, after considering the narrower nature of the EITF Issue, the working group recommended that the Task Force limit the scope to change-in-control events in which a reporting entity has undergone a transaction or other event in which an acquirer obtains control of the entity.

BC9. The Task Force agreed with the working group's scope recommendation and adopted change-in-control events whereby an acquirer obtains control of an acquired entity as the starting scope for its deliberations.

BC10. All respondents to the proposed Update agreed that the guidance on pushdown accounting should apply to an acquired entity, both public and nonpublic, that is a business or nonprofit activity. On the basis of that feedback, the Task Force reached a consensus affirming the scope of this Update.

Threshold for Application of Pushdown Accounting

BC11. At its November 14, 2013 meeting, the Task Force tentatively decided that all entities (both public and nonpublic) would have the option to apply pushdown accounting in their separate financial statements upon the occurrence of a change-in-control event in which an acquirer obtains control of the entity. In addition, the Task Force decided that public business entities would be required to apply pushdown accounting upon the occurrence of an event that causes the entity to become substantially wholly owned by an acquirer. To further develop the tentative decisions, the Task Force asked the staff to reconvene the working group on this Issue. The working group met on January 31, 2014.

BC12. The Task Force considered both "change-in-control" and "substantially-wholly-owned" as potential thresholds for pushdown accounting and reached a consensus-for-exposure that the threshold should be change-in-control. The Task Force concluded that the change-in-control threshold is the best trigger for pushdown accounting because it is already established in Topic 810 and Topic 805 as a threshold for consolidation and business combinations. The Task Force determined that the gain or loss of control of a business or nonprofit activity is considered to be a significant economic event for which remeasurement of an entity's net assets may be a more faithful depiction of the transaction in certain circumstances. The Task Force highlighted that the Board already has determined business combinations to be a significant event that requires new basis accounting for the net assets acquired and, in the absence of another distinct threshold that is conceptually grounded in GAAP, change-in-control events also could serve as the basis for establishing a new basis in an acquired entity's separate financial statements. The Task Force also decided that a change-in-control threshold for pushdown accounting would eliminate the need to develop a virtual acquirer concept (collaborative groups), under which a group of investors is viewed as a single acquirer. The Task Force agreed that developing the concept of a virtual acquirer would make the guidance on pushdown accounting overly complicated.

BC13. The Task Force decided that a super-control concept, such as substantially-wholly-owned, is not appropriate because it not only would be inconsistent with the current threshold for consolidation and business combinations, but also would be challenging to define as a conceptually sound, effective, and operable principle. The Task Force acknowledged that the current SEC staff guidance is based on a substantially-wholly-owned threshold and could serve as a starting point for a new principle, but it expressed skepticism about developing a cost-effective principle to the existing concept in the SEC staff guidance. The Task Force considered the feedback provided by the working group from its January 31, 2014 meeting that the current SEC staff guidance is deemed by many to be overly complex. The Task Force discussed whether it could make that guidance less complex and concluded that retaining a substantially-wholly-owned threshold but simplifying the SEC staff guidance could make the threshold less effective by increasing structuring opportunities to avoid or achieve pushdown accounting.

BC14. Most respondents agreed that the threshold to apply pushdown accounting should be based on an event in which an acquirer obtains control of the acquired entity. On the basis of the feedback received, the Task Force reached a consensus to affirm the threshold for application of pushdown accounting in this Update.

Option to Apply Pushdown Accounting

BC15. The Task Force discussed whether it should require mandatory application or allow an option to apply pushdown accounting. The Task Force reached a consensus-for-exposure to provide entities with an option to apply pushdown accounting. In reaching the consensus-for-exposure, the Task Force considered that a mandatory application of pushdown accounting would result in a substantial increase in the number of entities applying pushdown accounting and also an increase in the frequency of pushdown accounting being applied by the same entity. The Task Force noted that those results may not be beneficial to many users of financial statements and may be a costly exercise for many preparers. The Task Force also considered the user feedback that indicated mixed views about the relevance and benefits of pushdown accounting and noted that some users would prefer not to distort historical trends by establishing a new basis of accounting for each change-in-control event, while other users would prefer a new basis and consider an acquired entity’s financial information in the context of its parent.

BC16. The Task Force observed that an optional model may reduce comparability among entities whose control is obtained by an acquirer. However, the Task Force decided that it is more important to satisfy different user needs by allowing entities to apply judgment on the basis of their unique set of facts and circumstances than to achieve comparability in this area. Furthermore, the Task Force noted that there is a lack of comparability among entities because of the optional nature of pushdown accounting for nonpublic entities and the optionality allowed for in the current model applicable to SEC registrants when between 80 percent and 95 percent of an entity is acquired.

BC17. The Task Force also reached a consensus-for-exposure that an acquired entity should evaluate separately the option to apply pushdown accounting at each change-in-control event and that the guidance should not be treated as a one-time accounting policy election. The Task Force concluded that every change-in-control event is a distinct event and, therefore, an entity should make its pushdown accounting election on the basis of the facts and circumstances and the needs of its users for each distinct change-in-control event. During redeliberations, the Task Force further decided to clarify that the option to elect pushdown accounting can be made before the financial statements of the reporting period in which the change-in-control event occurred are issued or are available to be issued (as discussed in Topic 855).

BC18. Most respondents agreed with the optionality provided to apply pushdown accounting. On the basis of the feedback received, the Task Force reached a consensus to affirm the option to apply pushdown accounting. In addition, the Task Force clarified that the option to apply pushdown accounting should be evaluated separately by each entity that is acquired by the acquirer in a change-in-control transaction. This evaluation should be independent of the election made by other entities in the group of entities controlled by the acquirer. For example, if an acquired entity elects not to apply pushdown accounting, one or more of its subsidiaries can elect to apply pushdown accounting to their separate financial statements.

BC19. In its redeliberations, the Task Force considered, but ultimately rejected, a view in which an acquired entity must elect to apply pushdown accounting in order for its subsidiaries to be able to elect the option to apply pushdown accounting. That is, the subsidiary of an acquired entity would not be bound by its parent’s decision to apply or not to apply pushdown accounting upon a change-in-control event. Underlying the basis for the view that was rejected is the notion that subsidiaries should reflect their parent’s basis. In addition, this view was responsive to the concerns about operability, specifically, challenges associated with certain entities in a corporate structure electing to apply pushdown accounting while other entities electing not to apply pushdown accounting. Such optionality could be operably challenging in terms of unwinding pushdown accounting at certain levels within the corporate structure, including associated impairments. In rejecting this view, the Task Force concluded that because pushdown accounting is an optional election, it should be optional when a change-in-control event occurs. In addition, the Task Force considered that each entity has different users and their perspectives may be different from one another and, therefore, each entity within the group of entities acquired by the acquirer should be allowed to separately evaluate whether pushdown accounting applies to their separate financial statements.

BC20. The Task Force also reached a consensus that entities that initially do not elect to apply pushdown accounting to a change-in-control event should be permitted to make an election to apply pushdown accounting in a subsequent period as a change in accounting principle in accordance with Topic 250. The Task Force concluded that if the acquired entity's circumstances change (for example, if there is a significant change in the investor mix such that pushdown accounting would be more relevant to the current investors), the acquired entity should not be prohibited from applying pushdown accounting to a change-in-control event for which it previously had elected not to apply pushdown accounting as long as that event is the acquired entity's most recent change-in-control event. However, the Task Force concluded that if an election is made to apply pushdown accounting, that election is irrevocable.

Recognition and Measurement

BC21. The Task Force reached a consensus-for-exposure that an acquired entity that elects the option to apply pushdown accounting should reflect in its separate financial statements the new basis of accounting established by the acquirer for the individual assets and liabilities of the acquired entity by applying Topic 805. If the acquirer did not establish a new basis of accounting for the individual assets and liabilities of the acquired entity because it was not required to apply the guidance in Topic 805, the acquired entity should reflect in its separate financial statements the new basis of accounting that would have been established by the acquirer had the acquirer applied Topic 805. The acquired entity should recognize goodwill that arises because of the application of pushdown accounting in its separate financial statements. However, if the recognition of the acquirer's basis results in a bargain purchase gain, the acquired entity should not recognize the gain in its income statement because that gain more appropriately would be reflected in the financial statements of the acquirer. For subsequent measurement, the acquired entity should follow the guidance in Topic 805 and other applicable GAAP to account for its assets (including goodwill), liabilities, and equity instruments.

BC22. The Task Force also reached a consensus-for-exposure that any acquisition-related liability incurred by the acquirer should be recognized in the acquired entity's separate financial statements only if the acquired entity is required to recognize a liability in accordance with other applicable GAAP (for example, Subtopic 405-40 on obligations resulting from joint and several liability arrangements). The Task Force referred to the definition of a liability in FASB Concepts Statement No. 6, *Elements of Financial Statements*, which states that "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," and concluded that an acquired entity would recognize a liability incurred by the acquirer only if that obligation is the acquired entity's liability.

BC23. Respondents agreed with the recognition and measurement guidance for applying pushdown accounting to the acquired entity's separate financial statements. On the basis of the feedback received, the Task Force reached a consensus to affirm the guidance in this Update. The Task Force further clarified that any bargain purchase gain recognized by the acquirer should be recognized by the acquired entity as an adjustment to additional paid-in capital (or net assets of a not-for-profit acquiree). The Task Force concluded that such gains, if any, do not represent a liability of the acquired entity. The Task Force also discussed implementation issues related to the application of new basis of accounting raised by comment letter respondents and decided not to address those issues as part of this project. The Task Force concluded that some of those implementation issues should be resolved by stakeholders applying the principle for pushdown accounting, which is to recognize individual assets and liabilities of the acquired entity by allocating the acquirer's basis in the net assets of the acquired entity.

Disclosure

BC24. The Task Force reached a consensus-for-exposure that an acquired entity that elects the option to apply pushdown accounting should disclose in the current reporting period information that enables users of financial statements to evaluate the nature and effect of the pushdown accounting on its financial statements. To meet the disclosure objective, the acquired entity should provide the disclosures required in Topic 805, as applicable.

BC25. Respondents agreed that an entity that elects the option to apply pushdown accounting should provide the disclosure requirements in Topic 805 to meet the disclosure objective. Therefore, the Task Force reached a consensus to affirm the disclosure objective. In addition, the Task Force decided that the guidance in this Update would clarify what type of information could be used to evaluate the effect of pushdown accounting on an acquired entity's separate financial statements.

BC26. The Task Force reached a consensus-for-exposure that if an acquired entity does not elect to apply pushdown accounting when a change-in-control event occurs whereby an acquirer obtained control of the acquired entity, it should disclose in the current reporting period that it has (a) undergone a change-in-control event whereby an acquirer has obtained control of the entity during the reporting period and (b) elected to continue to prepare its financial statements using its historical basis that existed before the acquirer obtained control of the entity. The Task Force noted that such disclosure would require an entity to assess at each reporting period whether an acquirer has obtained control over the entity, even though it may elect not to apply pushdown accounting for such an event.

BC27. The Board received mixed feedback on the disclosure requirements for an acquired entity that elects not to apply pushdown accounting. Some stakeholders stated that such disclosures should not be required for an acquired entity (specifically variable interest entities) if those entities after making exhaustive efforts are unable to determine whether there is a change-in-control. On the basis of the feedback received on disclosures for entities not electing to apply pushdown accounting and considering that such disclosures would be inconsistent with other Topics that have similar options (such as Topic 825, which allows a fair value option for financial instruments but does not require disclosure of a decision not to make that election), the Task Force reached a consensus to not require any disclosures by acquired entities about their option not to elect pushdown accounting. Therefore, entities would not be required to assess at each reporting period whether an acquirer has obtained its control.

Transition and Effective Date

BC28. The Task Force reached a consensus-for-exposure that an acquired entity should apply the pushdown accounting guidance prospectively to all events in which an acquirer obtains control of the entity and that occur after the effective date of the final Update. The Task Force concluded that applying the guidance in the period of the change-in-control event was important. Therefore, it decided against allowing a retrospective transition that would have allowed for election of pushdown accounting for change-in-control events whereby an acquirer obtained control of an acquired entity in the past and would have required the use of hindsight for significant fair value estimates.

BC29. Some respondents stated that the guidance should be permitted to be applied retrospectively and that requiring only prospective application was inconsistent with the optional nature of the guidance. Thus, upon redeliberations, the Task Force reached a consensus that an acquired entity not only should be able to apply this guidance to change-in-control events occurring after the effective date of this Update, but also should be permitted to apply pushdown accounting as a change in accounting principle to its most recent change-in-control event that had occurred before the effective date of this guidance. That decision was made to align with the Task Force's decision that an entity could reverse its previous elections not to apply pushdown accounting. However, if an entity had applied pushdown accounting before the effective date of this Update, it cannot reverse that election.

BC30. Because of the optional nature of the pushdown accounting guidance and because an entity has the ability to apply the pushdown accounting guidance in periods after the period in which the change-in-control event occurred, the

Task Force reached a consensus to make the guidance in this Update effective upon issuance.

Benefits and Costs

BC31. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors. The Task Force's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC32. The Task Force notes that the recognition and measurement requirements in the amendments are optional and, therefore, will not result in significant costs for entities that do not elect the option to apply pushdown accounting. Because the guidance on pushdown accounting is optional, entities will be able to perform an independent analysis after considering the needs of their users before electing the option to apply pushdown accounting. The Task Force concluded that most entities that elect to apply pushdown accounting will not incur significant costs in applying the amendments in this Update considering that, in most circumstances, the acquirer will be a reporting entity that already is required under current GAAP to apply business combination accounting and, hence, required to estimate and reflect the new basis of the acquired or newly consolidated business or nonprofit activity in its consolidated financial statements. The Task Force acknowledges that when an acquirer is not required to apply business combination accounting because of specialized industry accounting (such as investment companies), the costs may be higher but the fair value information of an acquired entity will generally still be observable through the purchase price, even if an allocation of that purchase price to the individual assets and liabilities may not otherwise be performed.

BC33. The Task Force concluded that the amendments in this Update will benefit entities by providing them with guidance on when an acquired entity that is a business or nonprofit activity can apply pushdown accounting in its separate financial statements and how pushdown accounting should be applied. The amendments also will alleviate some practice issues that some stakeholders stated exist in applying current SEC staff guidance on pushdown accounting. In addition, some users of those entities' financial statements that elect to apply pushdown accounting will benefit from the new basis and be provided with the acquired entity's financial information in the context of its parent. That guidance will help entities that want to eliminate the need to keep two separate sets of books between the acquirer and the acquired entity.

Amendments to the XBRL Taxonomy

The amendments to the *FASB Accounting Standards Codification*® in this Accounting Standards Update require changes to the U.S. GAAP Financial Reporting Taxonomy (UGT). Those changes, which will be incorporated into the proposed 2015 UGT, are available for public comment through ASU Taxonomy Changes provided at www.fasb.org, and finalized as part of the annual release process starting in September 2014.